Daily Report

Latin America

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International Affairs: Israel Accepts Menem as 'Mediator'

PY2803005996 Buenos Aires TELAM in Spanish 2104 GMT 27 Mar 96

[FBIS Translated Text] Buenos Aires, 27 Mar (TELAM) — Argentina today obtained a very important diplomatic scoop when Israel accepted the mediation of President Carlos Menem in resolving the crisis caused by the closure of the border with Palestine.

Israeli Prime Minister Shim'on Peres acknowledged the Argentine chief of state as a spokesman through whom to send signs of relaxation of tension to Palestinian leader Yasir 'Arafat, and to express his willingness to gradually reopen the borders.

Official sources revealed that Peres made this known during a 50-minute meeting today in Jerusalem with Argentine Interior Minister Carlos Corach. Peres spoke by phone with Menem during the meeting.

The Israeli prime minister asked Corach to ask Menem to "inform" 'Arafat of the decision to "gradually and progressively" reopen the borders that were closed after a recent escalation of fundamentalist terrorism in Israeli cities.

Sources close to the interior minister told TELAM that Peres explained he will permit the normalization of the border with Palestine to allow the passage of food, commercial products, and medicines.

The same sources reported that Israel also intends to allow Palestine workers into its territory, "although not totally, it will be done gradually."

This aspect of the controversy was also directly mentioned by Menem during the telephone conversation.

Menem suggested that Peres should make the border area more "flexible," although he made it clear that he perfectly understands "the security reasons" that obliged the adoption of such a drastic measure.

The sources consulted indicated that Peres also officially invited the Argentine president to visit Israel.

The appearance of Argentina as a conciliatory nexus in the Israeli-Palestinian conflict began to take shape on 25 March when Yasir 'Arafat met with Corach in Palestine.

On that occasion, 'Arafat explained his concern about the serious economic harm his country is suffering due to the closure of the borders, and appealed to President Menem to seek a solution.

Corach today explained that concern to Peres based on instructions given him by Menem, who, through the minister, presented a note to the Israeli Government that ratifies the Argentine commitment with the Middle East peace process.

Peres also asked Corach to ask the Argentine Government to suggest to 'Arafat the importance of continuing "his struggle against terrorism" and thus strengthen the peace process, which is being harassed by Islamic terrorists.

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Inter-American Affairs: G-30 To Prevent 'Tequila Effect'

PY2703225796 Buenos Aires TELAM in Spanish 1859 GMT 23 Mar 96

[FBIS Translated Text] Buenos Aires, 23 Mar (TELAM) — Economy Minister Domingo Cavallo today announced the creation of a team within the Group of 30 that will evaluate problems within the banking systems of the region in an effort to prevent a repetition of the "tequila effect" in Latin America.

Cavallo said: "The proposal of a former president of the Venezuelan Central Bank has been approved. It suggests the creation of a team within the Group of 30 to evaluate the problems of banking systems within Latin American countries."

The minister praised this initiative just before lunching with bankers and members of the Group of 30 that are participating in the 37th Inter-American Development Bank Annual Assembly that is being held at the Hotel Marriott Plaza.

Cavallo said that Central Bank President Roque Fernandez this morning addressed members of the Group of 30 in the Bosch Room of the Central Bank, where they discussed how Argentina overcame the problems that followed the Mexican crisis.

The economy minister also praised Fernandez' address, which he termed as "excellent."

During the lunch, William McDonough, president of the Federal Reserve of the Bank of New York, highlighted the initiative of creating an organization within the Group of 30 that will evaluate and study measures with an eye toward supervising and regulating world financial systems.

Mc Donough said: "It is necessary to anticipate events." He maintained that the guidelines of each nation must be organized "on the basis of international guidelines."

He pointed out the imperious need for national banks to interact with foreign banks, which should be considered as local banks in the various countries.

After the meeting, Cavallo told TELAM that the determination to improve regulations in order to obtain a good supervision "requires interaction between the Central Banks and the commercial banks, which are privately owned."

He added: "Regarding the industrial sector, each country must evaluate the administration of its credit policy and the support the banking system must give to the industrial and agricultural sectors. This topic is already being discussed."

Referring to the new organization that was created today, the minister pointed out that it responds "to the need for an overall supervision in a world that is increasingly interrelated and globalized."

He stated that the new organization "is already functioning as a coordinating committee and it will do a good job."

Regarding the confirmation by Stanley Fischer, executive vice director of the IMF, that this organization will grant a $1 billion loan to Argentina, the minister admitted that "this has already been negotiated."

He said: "It is always good to see that multilateral credit organizations value what we are doing and reiterate their support."

Paul Volker is presiding the meeting of the Group of 30, which began on 22 March in Buenos Aires. Gerald Corrigan (Goldman Sachs), Andrew Crockett (Bank of Basel), Jacob Frenkel (Bank of Israel), and Toyoo Gyhten (Bank of Tokyo) are participating in the meeting.

Among others, Chilean Finance Minister Eduardo Aninat, Paraguayan Finance Minister Orlando Barreiro, and Eduardo Escasany of Adeba [Association of Argentine Banks], are participating as guests.

Inter-American Affairs: Panama Obtains Debt Accords

PY2803012296 Madrid EFE in Spanish 2020 GMT 26 Mar 96

[FBIS Translated Text] Buenos Aires, 26 Mar (EFE) — Panama announced today in Buenos Aires that it has returned to the international financial community with an agreement that will tend to resolve the problem of its obligations with foreign creditors.

The announcement was made by Panamanian Planning Minister Guillermo Chapman, who reported to the Inter-American Development Bank, IDB, Assembly that his country will reduce its trade debt by approximately 31 percent.

In his address to the plenum of the IDB Assembly, the Panamanian minister reported that more than 98 percent of his country's creditors have participated in the selection of new financial instruments, and that 82 percent of them have accepted a bond that is guaranteed by the Panamanian Government.

Chapman, together with the committee of creditor banks, announced today in Buenos Aires the definite agreement pertaining to the contracts that conform with the Brady Plan, which will be signed in April.

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Through this financial instrument that will be guaranteed by the U.S. Treasury, Panama will be able to renegotiate the maturity dates of its foreign debt up to a period of 30 years. Thus it will obtain a very important relief regarding the burden of its foreign commitments and, at the same time, the country is guaranteed the possibility of returning to the international financial market.

With this agreement, Panama will achieve a 31 percent reduction in its trade debt.

Chapman also reported that a restructuring of the country's debt has been achieved with the Paris Club (official creditors), and it has, in addition, obtained a settlement of the so-called oil debt with Mexico.

The minister announced that he hopes to reach an agreement with Venezuela similar to that with Mexico, and this will place Panama in a position to bring all its external obligations up to date.

With the restructuring of its foreign debt (trade and bilateral), Panama will be able to definitely reintegrate itself into the financial community and reestablish its credit worthiness in order to obtain new resources that will help it with development and economic and social projects.

Chapman informed the IDB Assembly that President Ernesto Perez Balladares' economic restructuring program will allow the country to obtain a 0.6 percent GDP budget surplus in 1996.

Inter-American Affairs: Governors Address IDB Assembly

PY2803014696 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2055 GMT 26 Mar 96

[FBIS Translated Text] Buenos Aires, 26 Mar (NA) — The governors of the Inter-American Development Bank, IDB, today agreed in highlighting the fact that Latin America's economic future depends on stability, the development of internal savings, and a solid fiscal situation.

They also emphasized the importance of the IDB in supporting the economic transformation processes of the region, which will help "to alleviate the social consequences."

Japanese Finance Minister Kosuka Nakahira said that "unstable and short-term income must be avoided," and that direct long-term investment must be sought. In order to do so, the countries must "improve their legal and tax systems and the quality of their man power."

The Japanese representative considers that internal savings "must undertake the crucial function of providing the necessary capital for economic development," and he warned that solid financial institutions have to be created in order to achieve this.

"The constant reduction of inflation will also contribute to increased confidence in national currencies," Nakahira added in his address to the 37th IDB Assembly, taking place today in this capital.

He stressed that the countries must achieve a "solid" fiscal position, and he emphasized that in order to obtain this position, "it is essential to establish equitable tax systems on the one hand and make the tax authorities more efficient on the other."

Chilean Finance Minister Eduardo Aninat expressed the belief that the IDB "must seeks ways to alleviate the cost of the internal adjustments that are associated with the integration and economic complementation processes, thus helping in the re-training of man power, in productive reconversion, and in the acquisition of more productive technologies."

In this respect, he acknowledged that the traditional agriculture, the manufacturing industry, textiles, and some services that were previously protected are now suffering with this process of opening up and integration.

"I am confident that Latin America is once again on the path of growth and social progress which had been affected by the uncertainties that appeared at the beginning of 1995, and that the IDB will play a very important role at this decisive time to support stability, growth, and development," he said.

Aninat also expressed the view that the IDB "can and must play an important role in supporting the hemisphere's economic integration efforts that were approved at the Miami Summit of heads of state of the Americas held in December 1994. [no closing quotation mark as received]

In concluding, the Chilean minister endorses the support that the IDB is giving to the private sector through the Inter-American Investment Corporation, but he warned that there must be rules, processes of formulation, and the approval of projects that are not being carried out by the public sector.

Brazilian Planning and Finance Minister Jose Serra believes that the international credit organizations must "be more flexible in their disbursements" to assist the countries that are implementing adjustments in their economies.

"The countries that are implementing adjustment policies — and that includes most of the region's countries — are facing fiscal difficulties that inhibit their possibilities of growth," he warned.

Serra also believes that "the multilateral organizations must try to make quick disbursement loans more flexible because they are important mechanisms that will help to attenuate the processes of adjustment and reform of the majority of Latin American and Caribbean countries."

Guillermo Ortiz, Mexican finance and public credit minister, highlighted the fact that it is very necessary for Latin American countries to strengthen their economies on the basis of internal savings and an increase in the level of productivity.

"One of the most important lessons that was learned from Mexico's recent experience is that tardiness in the alleviation of internal imbalances is very costly due to the alacrity of the movement of capital," he said.

Ortiz maintained that "the vulnerability of our economies is made patently visible when they depend exclusively or excessively on foreign savings. For this reason, it is clear that the path to be followed closely is that of strengthening internal savings, which must be complemented with actions that support direct foreign investment in productive processes."

Regarding the role of the IDB, Ortiz believes that "it is necessary to count on a better balance of funds that can be loaned and thus develop the institution's maximum potential in granting loans."

The governors of Venezuela, Guatemala, Panama, Belgium, Japan, Germany, Spain, Denmark, Italy, France, and Sweden also addressed the Third Plenary Session, which was presided over by Argentine Economy Minister Domingo Cavallo.

Inter-American Affairs: Cavallo on IDB 'Hot Money' Role

PY2703233096 Buenos Aires TELAM in Spanish 1400 GMT 27 Mar 96

[FBIS Translated Text] Buenos Aires, 27 Mar (TELAM) — Argentine Economy Minister Domingo Cavallo denied today having discussed, within the framework of the 37th Annual Meeting of IDB [Inter-American Development Bank] Governors, the possibility of limiting the entry of hot money to countries of the region. Cavallo played down the possibility of a new "tequila effect" in Latin America.

He said: "We are working to prevent a repetition of that situation which affected the entire region."

Cavallo said the countries of the region are working together on financial regulations, the objective of which "is not to hamper the movement of capital, and least of all to block inflows of capital for financing medium- and long-term projects."

Asked if the participants of the meeting analyzed the possibility of limiting or restricting portfolio investments — usually called hot money — Cavallo flatly denied it.

The minister underlined: "Nobody talked about putting the brakes on or limiting portfolio investments. Emphasis rested on the need for our countries to boost domestic savings so that this, coupled with direct investments, may finance most of our investments."

Cavallo said he favors portfolio investments, that is, short-term investments, as "a complementary measure" to other investments.

On the last day of the IDB meeting, which was held concurrently with the 11th Annual Assembly of the Inter-American Investment Corporation (CII), Cavallo underscored the desire to progress, and the need for underdeveloped countries to have greater and easier access to financing.

Nominated chairman of the meeting, the Argentine economy minister conveyed the interest of several IDB member countries in getting that multilateral credit organization to devote more attention to social and environmental programs.

Cavallo said he believes economic opening and the globalization of markets do not jar with financial regulation.

The minister said: "Financial control ensures the solvency of the banking system and the stability of financial institutions. It does not seek to hinder capital movements, and least of all inflows of capital to finance medium- and long-term investments and productive activities."

Inter-American Affairs: IDB Head Urges Deeper Reforms

PY2803035896 Buenos Aires TELAM in Spanish 1752 GMT 27 Mar 96

[FBIS Translated Text] Buenos Aires, 27 Mar (TELAM) — During the closing ceremony of the 37th Annual Meeting of Inter-American Development Bank [IDB] Governors, IDB President Enrique Iglesias said today that the governments of the region should make strides in the reform of the financial system.

Iglesias asserted: "We must deepen reforms of the banking and financial systems, and help banking establishments, which operated in times of high inflation, to adapt to the prevailing stability in the region."

The IDB president underscored: "Latin American countries' growth rate is still insufficient. It is paramount

that our overriding goal for the forthcoming years be to grow by 5 or 6 percent [per annum]. We must achieve this growth target if we are to solve the problem of unemployment."

In the course of his address at the closing ceremony of the 37th Annual Meeting of IDB Governors, Iglesias stressed President Carlos Menem's and Economy Minister Domingo Cavallo's commitment to the economic reforms currently under way in Argentina.

The head of the IDB declared: "In their speeches, President Menem and Minister Cavallo confirmed their political commitment to the reforms currently being undertaken in Argentina, their confidence in the future, their faith in integration, and their concern about social problems."

Iglesias called upon Latin American governments to deepen "reforms in the field of savings and, in particular, social security."

Iglesias claimed that the IDB will support the countries of the region "to resolve the subject of the streamlining of provincial and municipal governments."

The IDB president underlined the "IDB's commitment to regional and hemispheric integration endeavors," adding that his objective is to achieve the goal of ensuring that "50 percent of (IDB's) financing is earmarked for social programs."

In concluding, Iglesias expressed the view that "in light of the transfer of state-run enterprises to the private sector, the IDB must learn to work with businessmen, and to that effect, we are analyzing new products."

Inter-American Affairs: Cavallo Closes IDB Meeting

PY2803022496 Buenos Aires TELAM in Spanish 1656 GMT 27 Mar 96

[FBIS Translated Text] Buenos Aires, 27 Mar (TELAM) — Economy Minister Domingo Cavallo asserted today that there is no going back on the transformation policies that Latin American countries are pursuing. In closing the 37th Annual Meeting of Inter-American Development Bank [IDB] Governors, Cavallo called upon participants to tighten controls of institutions.

The head of the Economy Ministry stated: "We are not renouncing economic opening, nor do we intend to abandon our free market policy. Nobody is advocating slackening our efforts to have an efficient state. Moreover, democracy in the region is being consolidated and this broadens the basis of economic policy."

Cavallo expressed the belief that the crisis known as the "Tequila Effect" served to "prove that the paths upon which we have embarked following the mandate given to us by our peoples are the right ones. No voices were raised during the crisis, or in its aftermath, against our government's present course."

In the course of his speech at the closing ceremony of the 37th Annual Meeting of IDB Governors, the economy minister explained that last year's crisis took the region "a little by surprise." He nonetheless underscored that this circumstance seems to have been fully overcome.

Cavallo declared: "This crisis was different to previous ones. Instead of precipitating the countries of the region into abandoning the present course, it has been instrumental in convincing leaders about the advisability of persisting in their endeavors. Instruments will be subject to scrutiny in a move to improve them, but the essence will remain unchanged."

The minister urged the governments of the region to work for the "strengthening of financial institutions' supervision mechanisms, the maintenance of fiscal soundness, and the revaluation of dialogue and relations with multilateral credit organizations."

Cavallo emphasized: "We must continue furthering policies to boost domestic savings, improve human capital, enhance labor and capital market operations, and correct complicated and distorted tax systems, including social security financing mechanisms."

The economy minister, in his capacity as chairman of the IDB meeting, made a brief analysis of the deliberations and proposals put forward by different IDB governors during the meeting, and extolled the IDB's support for regional integration processes.

Cavallo spoke in favor of a closer relationship between the IDB and the private sector.

In concluding, the economy minister mentioned the increase in the number of adherents to Fomin [Multilateral Investment Fund], the establishment of a Regional Agricultural Technology Fund, and the record number of participants in the IDB meeting — which "goes to prove that our region stimulates a lot of interest" — as achievements of the meeting.

Inter-American Affairs: Caldera Opens Corruption Conference

PA2803034896 Caracas Radio and Television Networks in Spanish 1420 GMT 27 Mar 96

[Speech by Venezuelan President Rafael Caldera opening the Specialized Conference on the Inter-American

Draft Convention Against Corruption at Tamanaco Intercontinental Hotel in Caracas — live relay]

[FBIS Translated Excerpt] Mr. OAS Secretary General, Mr. President of the OAS Permanent Council, Mr. Deputy Secretary General, Messrs. Foreign Ministers, Messrs. Ministers, Messrs. Ambassadors, Mr. President of the Congress of the Republic, Mr. Prosecutor General, Mr. Comptroller General, Messrs. representatives of the Supreme Court of Justice, Messrs. Ministers of the Executive Branch, Messrs. members of the High Military Command, Messrs. representatives of public and private organizations, Messrs. Delegates:

I welcome you to the city of Caracas to this important meeting, this meeting that is historic, although this term has been used frequently. We are holding a great activity in the struggle against corruption, in the struggle against a scourge that is reborn in diverse forms each day that demands, as I noted in Montevideo, that we take strong and persevering actions.

It was established at the so-called Summit of the Americas held in Miami in December 1994 that an effective democracy requires a comprehensive struggle against corruption. [passage omitted]

The truth is that globalization increasingly facilities exchanges among peoples and exchange of goods. It is increasingly easier to cross borders. Borders become lines to demarcate political sovereignty and juridical ordinances, but they in no way constitute fences that can be easily crossed by those involved in criminal activities. Neither the Siegfried nor the Maginot Lines were at their time capable of separating the peoples from either side of the demarcations. And when the Berlin Wall fell the world realized that all walls were also falling and that exchanges were increasingly more intense.

Blaming a government for the escape of persons responsible for crimes overlooks a reality that has allowed the easy transfer of a person or goods from one place to another in all places, in all continents, in all countries. Regarding economic matters, international agreements themselves try to give increasingly greater facilities to the transfer of capitals. This is why it is indispensable to complement this facility with another allowing the recovery and return of capitals that were illegally acquired to the peoples who were stripped of those fortunes.

This is why this convention, this draft convention that will be discussed in this historic specialized conference, has great significance. It is significant in various aspects. In the aspect of extradition, in the aspect of adapting banking secrecy principles to the needs of pursuing crimes to ensure effective transfer of the responsible persons and their goods to the countries that must subject them to their jurisdiction. In this case, the old maneuver of political asylum, the label of political acts given to common crimes committed in the exercise of power would be dismantled by a clear and firm concept that we are trying to establish in this draft convention.

We are making increasingly greater efforts to achieve united action. We are convinced all controls established by our laws to combat, to prevent corruption can be distorted and be turned into instruments for new corruption. In many cases the established controls become true sales taxes that serve to collect tolls from those who must transit the abundant and complicated formalities that the laws establish.

In view of this, we must establish effective remedies. And these effective remedies are based on the international solidarity that we are proposing, the solidarity we are demanding for a struggle with solidarity and harmony to ensure that ethical values are restored, to allow us to effectively prevent this terrible evil of corruption that is undermining the very concept of the democratic system in our hemisphere.

At the Strasbourg meeting that I referred to there was interest in discussing the solidarity of all public and private sectors in the fight against corruption, and I would like to insist on this matter. That meeting referred, for example, to the responsibility of officials, of elected and of government officials; to the responsibility of political parties, that is increasingly important, and that is fundamental to save the image of this institution that has progressively deteriorated in many countries in the minds of the peoples and of their fellow party members.

It referred to the pressure groups, the jurists and lawyers, the judicial branch, whose reform is indispensable to restore trust in it within civilian society, which is the user of the administration of justice of this important and fundamental service. The meeting also talked about comptrollers and examiners, businessmen, and journalists, because, after all, this is a matter in which public opinion is fundamental, and the solidarity of all agents of public opinion is required to create a state of awareness that is indispensable in solving such a grave situation.

There has been talk about a code of conduct. There has been talk about a code of conduct for officials. There has been talk of a code of conduct for the private businessmen. A system, a procedure, a mechanism has been established and I am sure before the end of this century there will be universal agreements in place to solve these problems as effectively as possible.

I would like to see an in-depth analysis of this idea, the same concept of a public official; I would like this mentioned as much as possible in the draft agreement that this specialized convention will approve. A public official is not only one who exercises part of the power granted by appointment or election. A public official is one who exercises duties directly related to the public; who receives public trust; who represents, to a certain degree, a delegation, a concession, or license that the state grants to exercise duties that commits and covers the entire community.

In this regard, we must define what we will do; we must establish a broad definition to avoid referring exclusively to those who were appointed and sworn in before their superiors, because we must also establish the responsibility of all those who betrayed public trust while fulfilling duties authorized by the state. And perhaps the state is not adequately monitoring their behavior as was the case in Venezuela, for example, with the crisis of the financial sector that has been so costly for us and whose consequences we are still experiencing. A good part of the responsibility rested on a lack of supervision by those who were called by law to control the operations of those institutions that were constantly abusing the good faith of the public by offering them advantages that they could not deliver, and they definitely caused serious damage that the entire community has had to pay. [passage omitted]

Cuba

Cuba: Official on Political Parties, Talks With U.S.

PA2703033696 Madrid EFE in Spanish 1624 GMT 25 Mar 96

[FBIS Translated Text] Santiago de Chile, 25 Mar (EFE) — Vice Foreign Minister Jorge Bolanos has said that in view of a situation of permanent aggression, allowing partisan division in Cuba "would be the suicide of the revolution," and added that if given the opportunity, his country would sit down for talks with the United States. The vice foreign minister, who was in Chile last week, stressed during an interview, carried today by the daily LA NUEVA EPOCA, that Cuba is going through a phase of economic recovery after having lost 80 percent of its international commerce.

"Cuba has made an opening and is adjusting to international circumstances because we cannot live with our back turned to it," he said, adding that the EU "has understood it."

"We are prepared to negotiate with the EU which aspects of the democratic clause (of the Maastricht Treaty) are applicable and which ones are not," he said.

He warned that this does not entail a reform of the political system, something that is a matter about which Cubans, who have supported the current system for 37 years, must express themselves.

"So, it is not just that in order to sign an agreement with the EU we delegate our sovereignty in Brussels or Luxembourg... If we are going to have an opening or change the political system, those are things that the Cuban people must decide on," he stressed. Bolanos explained that his government did not authorize the arrival in the country of a UN rapporteur on human rights since he would be "a rapporteur named and controlled by the U.S. Government." "In Cuba, human rights are not violated in a serious and systematic manner. There are many Latin American countries that are aware of that and, therefore, abstain from condemning us at the United Nations," he noted.

He described the Vietnamese willingness to meet again with the United States as very "intelligent and just."

"We also would have wanted to do that, but we are not given the opportunity. One day, however, we can sit down with the North Americans to negotiate with total respect our differences, although that moment has not arrived yet," he stressed.

To conclude, he noted that for the past three years those that question the U.S. policy toward Cuba are beginning to prevail within the U.S. "establishment." [preceding word in English]

Cuba: Radio Commentary Criticizes Helms-Burton Law

PA2703201496 Havana Radio Havana Cuba in Spanish 0000 GMT 26 Mar 96

[Station commentary from the "Evening Information Review" newscast]

[FBIS Translated Text] Nowhere in the world has any country, organization, or truly prominent person voiced a word of support, acceptance, or resignation to the Helms-Burton law, with which the U.S. Government seeks to tighten the U.S. blockade of Cuba. This is not merely a case of affinity toward the Cuban cause, but a case of rejection of the meddling of said legal monstrosity.

Last week, the continent's trade ministers held a forum in Cartagena de Indias. During this meeting, several participants voiced, on behalf of their respective governments, concern regarding the possible consequences that the implementation of this law will have on their countries, organizations, or businesses that already have or wish to establish business contacts with the Cuban Government and Cuban enterprises open to foreign investments.

A report indicates that on Canadian initiative, with the support of Mexico, the Caricom [Caribbean Common Market], Brazil, Colombia, and the Rio Group, as well as many businessmen in the region publicly requested that laws such as the recently promulgated Helms-Burton law, not be allowed again. On that occasion, the participants condemned the U.S. political meddling in trade matters and warned that should these practices continue, it will be very difficult to create a free-trade area in the hemisphere by the year 2005. Countries of the southern hemisphere, particularly, the Latin American countries and those countries that have no ties with Washington, are very concerned that under the conditions created by this U.S. legislation, it will be very difficult to move forward in the so-called integration of the Americas — basically an economic integration. This integration constitutes an indispensable measure for the least-favored nations in the area to develop.

Seemingly, everyone clearly understands that Washington is adopting actions to thwart or hinder any continental economic alliance or concerted effort in which the United States will not play the leading role. In fact, the United States has always been the main opponent and obstacle of Latin American aspirations to promote socioeconomic development, thus leaving Canada as the only continental economic power willing to offer the other countries of the region an advantageous trade alternative without imperialistic impositions.

Cuba: Central Committee Stresses State Role in Economy

PA2503231896 Havana Radio Rebelde Network in Spanish 1800 GMT 25 Mar 96

[Commentary by Orlando Contreras; from the "National Radio News" newscast]

[FBIS Translated Text] The 5th Plenum of the Central Committee of the Communist Party of Cuba held its sessions two days ago and was presided over by its First Secretary, Commander in Chief Fidel Castro.

After reviewing the most important aspects of the country's economy, Castro said the current economic recovery depends more than ever on the country's domestic potential. Why? I believe the question is fitting, and the answer can be found in the country's current productive structures.

The Cuban state plays a predominant role in the economy. If this were not the case, the Cuban nation would be completely at the mercy of decisions it could not handle. Today a huge percentage of the country's GDP is not generated by foreign and mixed companies, but by the country's state enterprises. This reality forces the country to work on improving its efficiency as much as possible so that it does not have to directly depend on external factors.

I believe it is necessary to explain something here. Economic sovereignty does not exist in today's world. Not even the richest countries can do without goods from abroad. No country produces goods only for its domestic market, therefore, external factors do have an effect on our economy; but the property ownership characteristics, and the means for the production of goods and services in Cuba, places the country in conditions far above those existing in a country whose economy primarily depends on foreign or private sector investments.

It therefore means that the public enterprises should be more efficient, more productive, and should generate more resources in order to make more investments so that we can take care of the entire nation's needs. Efficiency at work, which is indispensable for production, is also very necessary in the area of services and administration. Our economic model is designed so that the state can play a preponderant role, but it does not exclude foreign investment, or the increasing participation of cooperatives and self-employment. This means modern, efficient, non-bureaucratic controls should be implemented that can stimulate productive activities, but that can guarantee the collection of taxes as stipulated by law.

In essence, according to the discussions on the economy during this 5th Plenum of the Central Committee, we will have what we are capable of producing, collecting, and managing because the country's current economic recovery, which is on the right path even though the process is long, depends to a large extent on those internal factors.

Cuba: Lage Says National 'Recovery' Difficult, Long

PA2603201796 Havana Radio Rebelde Network in Spanish 1255 GMT 26 Mar 96

[From "Doing Radio"]

[FBIS Translated Text] During the fifth plenum of the Central Committee of the Communist Party of Cuba [PCC] held recently in Havana, Carlos Lage, secretary of executive committee of the council of ministers said that the Cuban recovery will be a difficult, complicated, and long process. Lage reported that a plan has been designed for 1996 with the goal of achieving economic growth of around 5 percent. The plan requires some $4 billion in investments to guarantee it.

Lage stated that we must be able to tap into our biggest reserves and potential through our own internal efforts in order to achieve it. He noted that as we strive to meet the production plans with the utmost of efficiency and reduced costs, we will find solutions to current problems. On the progress of the harvest, Lage said that we have already produced 2.8 million tons of sugar. The yield is responding well, and we should reach the goal 3 million tons of unprocessed sugar by Wednesday or Thursday.

Cuba: Radio on Socialism, Need for Ideological Strength

PA2703015696 Havana Radio Rebelde Network in Spanish 1800 GMT 26 Mar 96

[Commentary by Orlando Contreras; from the "National Radio News" newscast]

[FBIS Translated Text] Before European socialism collapsed and the Soviet Union disappeared, the empire started a worldwide ideological offensive apparently based on the decline of its adversary's ideology and history. This project — which seeks to suppress the thoughts of oppressed peoples, of the majority of the world's population who lives in the Third World, and of rights groups in industrialized and lesser-developed countries — had its most popular expression in a work by a philosopher as light as sugar free Coke.

I am talking about Francis Fukuyama, a former official of the State Department who, by the grace of worldwide

bad [word indistinct], overnight became the most publicized, sold, and commented on philosopher. In Reader's Digest style, Fukuyama proclaimed the end of history and ideology. There is no past nor future. Everything is a continuous present. The world has already reached its climax. Therefore, every struggle becomes fruitless because there is nothing to be changed. This political and ideological fast food was made available for consumption like a best-seller, calculated for a short but profitable life because of its remaining effects on the conscience of consumers, the silent majority who is manipulated by mass communication that promotes certain behavior as true ideological terrorism.

The other Trojan Horse in this imperialist attack against thought was, and is, articulated with the previous one: the failure of socialism. Since, in this propagandistic desert storm, evidence and common sense are disregarded, it was overlooked that over 1.3 billion human beings live in socialist countries. In addition, two-thirds of mankind — who are deprived not only of progress, but also of food and health care — are telling evidence of the failure not of socialism, but of capitalism, because in fact socialism did not forsake them.

European socialism — which achieved spectacular changes in a very short time in backward countries — did not fail because it was intrinsically evil, as this meritorious intellectual on horseback, Ronald Reagan, said; but because of popular bureaucratic changes that, among other things, led to its separation from the masses. A fish does not survive out of water.

The so-called Helms-Burton law is nothing but the hysterical expression of the primary ideology of an ultraconservative gang that longs for a big stick, has nuclear weapons, and aspires to transform the United States into a violent theocracy, and Cuba into a protectorate. These realities call for us to strengthen our ideological work with intelligence, persuasiveness, and a sense of national unity. The necessary openings and reforms that have been made, and that are still pending in our country, also require our ideological work. With this perspective, we should think about the value of what Fidel Castro said at the Fifth Plenum of the Central Committee of the Communist Party of Cuba: Ideological strength lies at the base of the survival of both the fatherland and the revolution.

Cuba: Raul Castro Presents Report to PCC Committee

PA2803005296 Havana Radio Havana Cuba in Spanish 1300 GMT 27 Mar 96

[From the "Morning Information Review" newscast]

[FBIS Translated Text] GRANMA published today the entire text of the Politburo report submitted to the 5th Plenum of the Central Committee of the Communist Party of Cuba [PCC] by the PCC's second Secretary General Raul Castro. The report emphasizes that rarely has the party organization met at such a critical moment.

The document underscores that the Helms-Burton law has created greater tension and risk in relations between Cuba and the United States because the law is the creation of the most retrograde forces in the United States, and because among its clauses it intends to foster a climate favorable to a military action, supposedly humanitarian, under the UN flag if possible, or as a unilateral decision taken by Washington.

Analyzing the economic situation created by the U.S. blockade and the dissolution of the USSR, and the rest of the socialist camp, the Politburo report makes reference to the self-employed worker who leans toward individualism and is not a person with a socialist conscience. In this regard the report underlines that the task is to make them obey the laws and regulations emphasizing that they protect their activity and organize their contribution to the economic development of the country.

As for economic matters, the report gives top priority, along with the production of food, to the sugarcane or sugar production, and this explains the measure to offer the use of land for free to the farmers gathered in the Basic Cooperative Production Units. It underscores this is complemented with the creation of the farmer's market.

Another part of the report refers to the attempts of reactionary circles of Washington to distort the concept of civilian society in Cuba. It underscores that for us such

expression is materialized on organizations that represent the unionists, women, students of various levels, and the neighborhoods gathered in the Committees for the Defense of the Revolution.

The report refers to and points out the organizations of the artists and professionals of various circles, as well as nongovernmental groups, all of them with their own language and personality. They do not digress, however, from the common goal of the Cuban revolutionary state to build socialism.

In the world, the report adds, there are nongovernmental organizations that do not follow the line of the enemies of the peoples, and it mentions among them, many that promote actions in solidarity with Cuba, that respect its independence and national identity and Socialist inclination. Among them, the report cited as symbols, the Pastors for Peace in the United States, a group that represents the best of the North American people, whom the Cuban people have in their minds and offer their friendship to.

Cuba: Daily on Fidel Castro's Remarks at 5th PCC Plenum

PA2803023196 Havana Radio Rebelde Network in Spanish 0000 GMT 27 Mar 96

[Report by Giselabel Heredia from the "Exclusive" newscast]

[FBIS Translated Text] The newspaper GRANMA today published a report on the activities of the fifth plenum of the Central Committee of the Communist Party of Cuba [PCC]. Giselabel Heredia reports on the statements by the commander in chief.

[Heredia] We are fighting for the survival of the fatherland and the revolution, and the ideological strength is the basis for that survival. Fidel has made those remarks, which the newspaper GRANMA published today, at the fifth plenum of the Central Committee of the PCC.

Fidel has said we have always lacked ideology. The history of the revolution is a continuing struggle for the revolutionary ideology. This battle began in 1959, and the revolution and its work led workers and the entire population to proclaim socialism on 16 April 1961, but all that was done in the past was carried out with a view to socialism. We need the revolutionary ideology today more than ever, Fidel has said, concluding the fifth plenum of the Central Committee of the PCC.

We are fighting for the survival of the fatherland and the revolution, he has said, and the ideological strength is the basis for that survival; that is why Fidel believes the study and discussion of the political document presented on behalf of the Politburo and approved by the plenum are of great importance. In the document, we defend what we are doing with arguments, ideas, intelligence, and valor, which is what we need at this time. This is the beginning of a strong ideological battle not only among party members and cadres but of all the people.

Fidel has said that while designing the strategy to confront this period of the country, at no time did we talk about or discuss whether we would advance toward socialism, because there was never any doubt in this regard. There is no alternative to socialism in this country; there is no alternative to the revolution, because anything else would not only take away our social accomplishments but also our independence.

On another occasion, Fidel added that he never stopped talking about socialism or Marxism-Leninism, because he always believed in them and always will. He has said one of the things he has liked most about the presented document is that it is a 100 percent Marxist document and stresses the realities, which are difficult, we are experiencing today.

Our advantage, he said later, is that we are ready and determined to do everything, and I do not believe the United States is ready for the resistance Cuba is waging in the world; that is why the ideological battle within the country is very important to prepare the people and to avoid their having a pretext to create a conflict that would lead to a Yankee military intervention, which is what some people want to provoke. In this regard, he added that he did not believe they are prepared to pay the price for trying to destroy the revolution by force. In addition, the first secretary of our party has affirmed that it is important to [word indistinct] the public inside and outside the country, and it is fundamental to prevent our being exposed or undermined; this is why it is indispensable that we be efficient regarding the economy, because it is part of the ideological battle we are waging.

Cuba: TV Views Fidel, Raul Castro Remarks at PCC Plenum

PA2803023496 Havana Cubavision Network in Spanish 0100 GMT 27 Mar 96

[From the "NTV" newscast]

[FBIS Translated Text] Summarizing the recent fifth plenum of the Central Committee of the Communist Party of Cuba [PCC], Commander in Chief Fidel Castro has said: Never before has the revolutionary ideology been needed so much as it is today. In his addresses, Fidel Castro has focused on the ideological struggle in which this country is engaged with the participation of not only PCC members and cadres but also of all its people.

The plenum has examined two topics: the main aspects of the economic situation, which PCC Politburo member Carlos Lage has discussed, and the PCC's role and ideological action within an economic, social, and political context, as presented by Army General Raul Castro, second secretary of the Central Committee of the PCC.

Lage's address has contained figures, arguments, and examples and has thoroughly examined the long and complex process we have been undergoing from the onset of the special period up to the present economic recovery. Moreover, Lage has mentioned the main guidelines of this year's economic program, their behavior during the first months of this year, and the economic management methods being implemented. He also has discussed the measures that have been taken to transform the following into priorities: tourism, foreign investment, the sugarcane harvest, food production, employment, public finances, the banking system, and the situation resulting from approval of the Helms-Burton law.

Raul Castro's report has presented an examination of how well and the ways our people have understood the policy the revolution's management has implemented, the greatest evidence of which is our continued resistance throughout this period. In addition, this report has spotlighted the results and political and ideological consequences of the necessary measures that were implemented to face the country's complex situation.

At the closing of the fifth plenum of the Central Committee of the PCC, Fidel Castro has said that it is important to win over the public opinion both locally and abroad and that it is decisive to prevent our unity from being undermined. In addition, he has said we should not regret any of the measures that have been implemented or the manner in which these were adopted through discussions with workers, students, and farmers to take their proposals into consideration.

In addition, Cuba's top leader has mentioned the U.S. policy to intensify the blockade; that is, from the Torricelli law to the Helms-Burton law, the perimeters that have conditioned and promoted this policy, and the economic situation it has imposed on Cuba. Fidel Castro has emphasized the significance of studying the reports that were presented at the fifth plenum of the Central Committee of the PCC not only by PCC members and cadres but also by all the people.

Cuba: PCC Report Criticizes 'Annexationist' Intellectuals

PA2803024596 Mexico City NOTIMEX in Spanish 2157 GMT 27 Mar 96

[FBIS Translated Text] Havana, 27 Mar (NOTIMEX) — The ruling Communist Party of Cuba (PCC) has strongly criticized intellectuals "of an annexationist leaning" and has announced a policy that seeks "to maintain revolutionary purity" in ideology.

In a report disclosed today, the PCC Politburo has said that there is a minority of intellectuals "of an annexationist leaning, very different from the patriotic behavior that characterizes the majority" in the Cuban academic sector, cultural sector, and the media.

The text, approved last weekend at the fifth plenum of the PCC Central Committee, was the harshest public censure against Cuban intellectual sectors in decades and anticipated a severe official scrutiny of the cultural sector in the country.

The report, published in the official daily GRANMA, was read by Defense Minister Army General Raul Castro, who blamed the U.S. "Track Two" policy for the phenomenon, which seeks to promote "internal subversion to subtly corrode us from within."

The PCC only identified the Center of American Studies [Centro de Estudios de America — CEA] among the sectors that have been criticized. The CEA, an academic organization that emerged in the 1970's, is included in a long list of "think tanks" specializing in economics and international affairs.

"In light of the bitter experience" of the CEA, the PCC will analyze the situation of other centers to "establish a single, consistent, and tough policy," the document stated.

The report praised Cuban information media but anticipated that "this lesson must serve" to prevent the emergence of "schemers or architects of ideas and concepts foreign to what the Revolution endorses and defends."

The PCC indicated that in recent years, "publications have appeared that shamelessly peddle many of their pages" and which include articles "with an allegedly revolutionary language but which are barely different from those written by U.S. academicians who are enemies of the Revolution."

At the CEA there were "several comrades" who mixed "naivete with haughtiness and who abandoned classist principles lured by the temptation to travel and edit articles and books to the liking of those who can finance them," the report indicated.

In those cases, Cuban investigators "fell into the web spun by foreign Cubanologists who are actually servants of the U.S. policy of promoting a fifth column."

CEA director and economist Luis Suarez was silently replaced in past weeks by sociologist Dario Machado, who headed an opinion analysis center of the PCC Central Committee.

The report established a difference between an academician who disagrees "with socialism in the right proportions" and a "Cubanologist with Cuban citizenship, who is even a card-carrying member of the party and who disseminates his positions for the satisfaction of our enemies."

It said that within intellectual circles, there are PCC members who "have for a long time professed an ideology that is not ours, and we must act accordingly against them," as well as against those who "adopt a passive, complacent, and irresponsible attitude."

It pointed out that the "Track Two" policy, which differ from the conventional economic and political reprisals of "Track One," includes attempts to "sow confusion, distrust, discord, and to divide the Cuban people."

That policy, according to the PCC, tends to "create discontent, peaceful resistence, and eventually disorders that would offer the most extremist Yankee circles excuses for military actions."

Part of that policy, the report indicated, is to "disguise as nongovernmental organizations subversive and counterrevolutionary organizations that were created, bribed, or promoted by imperialism to destroy the Revolution and Cuban independence."

Cuba: PCC Report Views Political, Social Situation

PA2803050096 Havana Radio Rebelde Network in Spanish 0000 GMT 28 Mar 96

[From the "Exclusive" newscast]

[FBIS Translated Text] As I had announced, we immediately offer you a version of the Politburo report on the country's political and social situation and the party's corresponding work as approved during the fifth plenum of the Central Committee of the Communist Party of Cuba [PCC] held on 23 March. Army General Raul Castro, second secretary of the Central Committee, presented the document.

Mentioning the passage of the Helms-Burton law, the report read by Raul states that the anti-Cuban mafia in Miami is the qualified lackey for the mission of trying to facilitate Washington's retaking of Cuba. This miserable task would be compensated with the return of its former properties that are now in the hands of their legitimate owners: the Cuban people, who have created them with appreciation, sweat, and blood.

The report explains that the law for Cuba does not represent only a strengthening of the cruel blockade we have suffered for more than 35 years. It is more than an open and declared economic war; it is a detailed action plan to eventually defeat our people through starvation and sickness. The report states: The law tries to create a propitious atmosphere for humanitarian military aid under the UN flag if possible or a unilateral U.S. action. The military action to which this uncontrolled policy may lead is even included in the Helms-Burton law, although it appears, as its failed predecessor, the Torricelli law, under the pretense of a peaceful transition.

Referring to the current political situation, the text indicates that in the national economic sector, honest, self-employed workers make a double contribution through the progressive taxes they must pay to the treasury and by providing certain services that state-owned enterprises have no possibility of fulfilling or doing in the necessary measure. The Politburo report states: Self-employed people should be the most interested in eradicating from that new business branch all the speculators, thieves, and violators of fiscal and health laws; that is, all those who strive to profit from the people's needs and the hardships of the special period.

The [words indistinct] violators of the law must serve to let all understand that crime has no future in socialism, and this involves an adequate information campaign. The income that is not the result of illegal deals, even if it is a high income, is and will be respected as long as they strictly abide by our laws and decisions.

The report states: The special period not only has represented the cessation or decrease of work for hundreds of thousands of people in state-owned work centers; it also has entailed an increase in the levels of unemployment among young people, an increasingly high number of people who reach the employment age each year, people who are demobilized from the military institutes, and those who graduate without access to a job. This phenomenon has prompted thousands of these people who have lacked a perspective and the necessary patriotic awareness to opt for an economic migration, encouraged by the broadcasts from Miami and the welcoming facilities the United States provided for more than 35 years.

The emigrants include all kinds of people; that is, professionals, technicians, etc., who do not necessarily [words indistinct] the revolution to criminals, adventurers, and other elements who dislike our social regime.

Referring to the depenalization of the ownership of dollars, it admits that this favors the publicity in favor of the U.S. consumer society and its direct, negative influence on the [word indistinct].

Referring to the development of tourism, the report lists some of the negative influences it entails, including the emergence of prostitution, which is the most visible and humiliating result of this phenomenon. It states later that migration cannot be considered a monolithic bloc of traitors to the homeland who advocate the blockade and ousting of revolutionary power.

Another [word indistinct] aspect is the possibility that Cuban officials may conduct a weak defense of national interests by making deals with foreigners, and the [words indistinct] corruption. There are bitter experiences. Bribery and corruption are consubstantial with business in capitalism. Specifically speaking, certain foreign firms offer sales commissions, gifts, sums of money, etc., to their counterparts among the Cuban state authorities; this situation is compounded by our officials' scant experience in the procedures of negotiation and the scant economic controls we have had.

The report admits: We must state that the corrupt have been certain low-level and medium-level officials. The current social situation would be incomplete without mentioning the hardships the vast majority of our people have suffered and continue to suffer in the years of the special period, but not a single school, hospital, day care center, or home for the elderly has been closed down thanks to the actions of the socialist state and despite the economic crisis, and health and education indicators the world admires have been maintained.

The results of the elections represent the [word indistinct] proof of the people's support of our policy and the [word indistinct] of those who disagree with it for the most diverse reasons. We do not claim other processes or concepts, but life has shown that our elections are genuinely democratic, honest, [words indistinct] people. Not even our party participates in them, except to provide guidance, and the people are the only participants.

The Politburo report states that the people's main concern every day is their food, hence the befitting decision adopted by our party and government to state that food production represents a crucial task and that preeminent attention to a priority issue is a policy and a specific defense of ideology.

Regarding the process for the discussion of the thesis of the 17th CTC [Central Organization of Cuban Trade Unions], the report emphasizes that the rejection of capitalism and support for socialism have been most evident in the assemblies to discuss the thesis. Labor groups that include manual workers and intellectuals unequivocally agree to maintain their social system, revolutionary power, and to fulfill their share at their work centers; that is, their contribution for the recovery of the national economy.

The ideological actions of the party and the state cannot be schematic, too general, and dogmatic, something which we have done on many occasions, because it involves convincing others, and a conviction leads to actions that change our way of thinking and acting. Now more than ever, that type of routine work is not appropriate, because either we do the convincing or it is done by the enemy, the open or covert enemy of the revolution and the nation.

The Politburo report recalls: Track One is the United States' anti-Cuban strategy as outlined in the blockade to achieve an economic asphyxiation. Track Two is an internal subversion to subtly undermine us from the inside. They complement each other. The report adds later: As far as we are concerned, civilian society is not the one living in the United States; instead, it is ours, the so-called Cuban civilian society comprised of our powerful mass organizations such as the CTC, the CDR [Committee for the Defense of the Revolution], the ANAP [National Association of Small Farmers], the FEU [Federation of University Students], the FEEM [Federation of Secondary School Students], and even the Union of Cuban Pioneers.

After an assessment of how certain U.S. academic centers have turned to an open interventionism, the report emphasizes that given the bitter experience with the Center of American Studies, it is necessary to study the work of the Center for European Studies and all the others. It is necessary for the party to conduct an in-depth analysis of what has been proved in this regard so we may establish a single, consistent policy without weaknesses that enables us to act within the context prevailing at the international level but within limits that are reasonable in the current situation so those means do not become the instruments our adversaries intend.

The [words indistinct] serve our people's interests above all, without losing their style and language; this point cannot be ignored by their researchers and those who guide them when it is time to debate and to establish positions in workshops, seminaries, etc., in Cuba and abroad. Adopting a neutral and confusing position so as to avoid a confrontation or evading a critical issue is to demonstrate an unacceptable weakness before our opponent, and it is tantamount to giving in to his position. We have more than enough recent examples, and the lesson should also serve so that authors or spokesmen

of ideas and concepts alien to those advocated by our revolution do not appear in our media.

The report states: From now on, each one of those press, radio, and television groups, all of which have [word indistinct] pride and prestige for our people, must examine everything based on this historic moment and this guidance; that is, above all, the responsibility of those who direct them as well as the party organizations and the UJC [Union of Young Communists] and its activists.

Another issue that deserves the urgent attention of the Central Committee and the entire party refers to a variant of glasnost, which has had some subtle expressions in Cuba recently. The so-called glasnost that has undermined the USSR and other socialist countries has involved turning over the mass media, one by one, to the enemies of socialism. They have initially appeared as innovators and champions when it came to mobilizing the people, and then they began to erase every revolutionary aspect of history, with the consequences we all know, including the disintegration of the largest country in the world.

The report adds: Alerted by that experience and Marti's vision that trenches built with ideas are worth more than those built with rocks, the Cubans maintain and will maintain that a genuinely free press is the one that serves the people's liberty rather than the exploiters who lurk in Miami. All that is clear. Well-known national and provincial media are loyal to Cuba. They have improved themselves with constructive criticism and truthful information. In addition to them, a group of cultural publications is helping to disseminate the ideas of the best revolutionary intellectuals.

We have lowered our guard, however. No longer have we supervised the compliance with our own rules, and there appeared publications that indiscreetly auctioned off more than a few of their pages. Obviously, they imply that they will receive donations from abroad without giving in to anything, and they also use funds that are provided by certain cultural groups in the country.

The report states: With what is reportedly a revolutionary language that is apparently intended to serve as a diversion for their true intentions, those publications frequently feature along with interesting and politically correct materials others that barely differ from the ones prepared by U.S. academicians that are the enemies of the revolution. In this area and other equally strategic ones, the party cannot tolerate the actions of officials who act independently, even to the point of meddling in tasks that correspond to other organizations, without establishing cooperation and without having the appropriate authorization from the people in charge. There are those who even though they lack the authority for this generate foreign relations or, what is worse, establish contacts on their own and at their risk with foreign espionage services. Even if this action is taken with the best intentions of the world, we are not about to allow this conduct [words indistinct] obstructing the responsible and critical work carried out by those who are authorized to do so by law, and that point, at the same time, introduces false signs in such complicated and critical affairs.

The report emphasized: We have and will have socialism, but the only socialism possible in Cuba now requires the assimilation, in an increasing manner, of factors that are very difficult to handle, including monetary and mercantile relations, even certain capitalist elements, and [words indistinct] world economy dominated by the monopolies of imperialist powers, both associates and rivals, with a rich North and a poor South.

As Commander in Chief Fidel Castro has stated, such a complex outlook demands that we struggle for our socialist goals with supreme efforts, sweat, and much intelligence and to establish a cardinal principle that we maintain our revolutionary purity. Fidel trusts that activists and the most alert people understand that virtue is cultivated in the struggle against vice, because our people will never be a nation placed in a crystal urn.

On behalf of the Politburo, and in a summation, the report reviews a series of issues dealing with the complex and difficult situation the revolution has recently faced. It concludes: We believe that by outlining problems without beating around the bush, clearly identifying them, our Central Committee and the other party directorate organizations have a better possibility of countering them both with the thoroughness and systematicness they demand. The essential conditions to fulfill this mission are, first of all, to have a strong party that increasingly and constantly perfects its role, that increases its prestige before the masses even more within the historic context that we most need. The fulfillment of this plenum helps support those goals, and we are dutybound to guarantee them.

Cuba: Haitian Secretary Pays First Official Visit

PA2703032796 Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 25 Mar 96

[From the "NTV" newscast]

[FBIS Translated Text] Evans Lescouflair, Haiti's Secretary of State for Youth and Sports met today with several members of the National Committee of the Union of Young Communists.

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Lescouflair, who is visiting Cuba since 21 March in response to an invitation by the Youth Vanguard Organization, and the National Institute for Sports, Physical Education, and Recreation [INDER], becomes the first official of the recently appointed government to visit, following Rene Preval's victory in the elections, and three years since Haiti's coup d'etat. Several mutual cooperation projects in the youth sector have been implemented, which, in addition to the technical and professional advice to meet Haiti's new demands, are of great importance to Lescouflair.

[Begin Lescouflair recording, in Creole with passage by passage translation into Spanish] The fact that I am the first government official to visit Cuba following the reestablishing of relations between our nations, reflects the will of the Haitian people to be with the Cuban people, specially through programs in the youth sector, to show the Haitian youth the need to learn more about the Cuban people. I am the first minister visiting Cuba, however, many more will come. It is important for us to establish closer ties with the Cuban people, and show that we have always being with Cuba, because we know that the Cuban people have been with us. [end recording]

Lescouflair will sign a sports cooperation agreement with the INDER, and will meet other Cuban leaders and officials in coming days.

Cuba: Minister Visits Poland, Interviewed on Ties

WS2703111196 Warsaw RZECZPOSPOLITA in Polish 26 Mar 96 p 7

[Interview with Deputy Foreign Minister Isabel Allende, by Malgorzata Tryc-Ostrowska in Warsaw; date not given: "No One Puts His Head Under the Axe"]

[FBIS Translated Text] [Tryc-Ostrowska] **The last time I talked with you was in Havana, a few days after the crisis caused by the mass exodus of the Cubans to the United States. Now Cuba is going through a different crisis, caused by the shooting down of two American airplanes. Is your country doomed to go through one crisis after another?**

[Allende] I do not think so. However, it is, unfortunately, vulnerable to provocation and aggression. Sometimes one wonders whether the purpose of such provocative or aggressive actions is to divert our attention from the fundamental problems, such as development of the economy. I myself often wonder why such crises arise whenever our situation is beginning to improve, when we are successful. My country is paying a very high price for choosing the socialist system, for having a powerful neighbor which cannot resign itself to the fact that Cuba wants to be independent and that it does not want to be subordinate to it. Cuba would like to maintain normal relations with this neighbor, but only if they are based on the principle of complete sovereignty and equality. The recent provocations involving the airplanes proved, unfortunately, that the United States looks upon Cuba as a factor in its domestic rather than foreign policy, that it is a hostage to the election campaign and to the ultra-rightist mafia which makes it take irrational action. The situation in Cuba is normal. I believe that this is the most important thing.

[Tryc-Ostrowska] **Nonetheless, the incident over the ocean will cost Cuba dearly; in addition, this happened at a moment when its relations with the northern neighbor seemed to be developing slightly better than before. Was it not more reasonable to refrain from reacting so drastically?**

[Allende] Cuba would have avoided it if this had been possible. I assure you that the airplanes were not shot down to trigger a crisis, but to put an end to a series of unbearable provocations. We shot those airplanes down — it has not been elucidated as yet whether these were really civilian planes — and we are very sorry that we had to take such action. We are sorry that this resulted in the death of several people. We shot those planes down after seeing 25 cases of violations of Cuban airspace over just 20 months, after submitting 25 official requests in which we asked the United States to stop the provocations. We did this to defend our own sovereignty and national security. I think that the Cubans realize that it was impossible to act differently in that situation. Now, as for the high price which we will have to pay once again, I believe that the pressure to pass the Helms-Burton bill was so great in the United States that the plane incident was used as a pretext only.

[Tryc-Ostrowska] **What specifically does the fact that President Clinton has signed this law entail for Cuba?**

[Allende] It entails tightening of the blockade and greater intervention in the affairs of third countries. The first consequence of the whole issue is the psychological effect. People who spend capital in Cuba will be punished in the United States, their property will be confiscated because it belonged to Americans or to Cubans who adopted American citizenship. This may halt capital spending. Foreign investment in our country is important to us because we need capital to develop the economy. However, I believe that the law will be rejected by the international community. The biggest investors operating in the Cuban market have already declared that they will not pull out. What they want is stability, security, and profits. These three things have

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been guaranteed to them. They are satisfied with the business they are conducting with our country.

[Tryc-Ostrowska] **You believe that Europe and Latin America will not adjust to the limitations imposed on them by the United States?**

[Allende] I am positive about it. There have already been many statements on this issue, such as from the EU, the Rio Group, the Andes Pact, and the Caribbean Countries Association; there also have been signals from such countries as Canada, Mexico, Spain, or Russia. This does not mean that they share our views. Many of those countries are U.S. allies. However, they cannot accept violating principles which are binding in international trade, principles laid down by the World Trade Organization. I believe that the Helms-Burton bill will, in the long run, boomerang on the United States, because the international community cannot accept such a demonstration of force.

[Tryc-Ostrowska] **The country which contributed the most to the development of better relations between Cuba and the EU was Spain. Do you not fear that the victory of the right wing in the elections will deprive your country of Madrid's support?**

[Allende] I think that the rhetoric which the Spanish authorities use to talk about Cuba will be more complex now. Unfortunately, Aznar, who has won the elections, maintains very close contacts with the extreme Cuban right wing in the United States. Nonetheless, I believe that the Spanish Government will have to act reasonably in its foreign policy and that Latin America will occupy a significant place in that policy. Now, it would be very difficult to pursue a cohesive policy toward Latin America and to ignore Cuba at the same time. Whether one likes it or not, Cuba has never been as closely linked to the peninsula as it is now. Moreover, Spain is one of the biggest investors in our country. The Spanish capital certainly wants the government to defend its national interests. The Aznar cabinet will have to defend them as well. However, the rhetoric may indeed be very negative.

[Tryc-Ostrowska] **As far as I remember, not even a single high- ranking Cuban official has paid a visit to Poland in recent years. When votes were taken in the UN, Poland did not endorse Cuba. Does your visit to Warsaw spell mean some kind of breakthrough?**

[Allende] For a long time now there have been no contacts on the level of the Foreign Affairs ministries, and I do not think that my visit can be hailed as a breakthrough. What we certainly can say is that the time when there were no political contacts between Cuba and Poland is ending and that a phase of dialogue is beginning. Of course, this does not mean that our countries share the same views or that Poles will give up their priorities in their foreign policy and that Cubans will abandon theirs. Significant changes have taken place in Poland. We have always respected them as an expression of the will of the Polish people. We are glad that — as I inferred from the information which I have received during this visit — you are happy that the economic situation is improving, that Poland is free to focus on its priority in the foreign policy, that is, integration with the EU. We believe that Poland and Cuba should recreate the ties which were severed both in the economic and cultural spheres, so that the 30-year-old tradition will not wasted. You have mentioned that Poland did not back Cuba when votes were taken in the UN. That is true. I have raised this subject. I explained that we respect Poland's decisions, but I believe that there will come a time when it draws closer to Europe in this area as well.

[Tryc-Ostrowska] **Cuba has recently prevented a meeting of 130 dissident organizations which were going to unite. Why are you afraid of the opposition, which is so fragmented?**

[Allende] First of all, I must straighten one thing out. It was not to be a meeting of 130 organizations, but 130 people. We are not afraid of them. This is a very peculiar issue. We will not allow those people to meet and set up an organization if a foreign country is behind them; we will not allow them to get involved in "opposition activity" which is financed by a foreign country. As long as Cuba is a subject of pressure, aggression, and threats on the part of the United States, we will not allow meetings of people who act in the interests of a foreign superpower and the ultra rightist Cuban mafia from the United States which wants to destroy us. No one puts a rope around his neck or his head under the axe. I believe that no country would allow that.

Cuba: Report Views Causes of Domestic Migration

PA2603024396 Havana PRENSA LATINA in Spanish 1143 GMT 23 Mar 96

["Exclusive" report by Argel Calcines: "Havana: the Silence of the Immigrants"]

[FBIS Translated Text] Despite slow demographic growth, the city of Havana is experiencing a dangerous rise in internal immigration, and immigrants are settling in Havana's old urban structure, which puts the city's boundaries to the test.

A national survey on internal immigration (Enmi) has revealed some aspects related to that gradual pilgrimage to Havana. The immigration balance, or the difference

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between those arriving from the country's interior and those leaving for other provinces, has gotten larger since 1990 and is directly related to the economic difficulties stemming from the so-called special period.

Blanca Morejon, researcher at the Center for Demographic Studies (Cedem) and the person in charge of Enmi, has stated that "the burden of the internal migratory balance got so heavy in 1993 that, despite a diminishing birth rate, Havana's natural growth rate nearly doubled."

During the eighties, Havana received a steady stream of between 10,000 and 12,000 immigrants a year. The trend began rocketing in 1990. In 1993, it reportedly rose to 13,000, then 17,000 in 1994, and a whopping 27,000 in 1995, according to unofficial estimates.

According to Morejon, the reason behind the steady growth of migration to Havana lies in the abrupt cutback of investment in the country's interior following the disintegration of the socialist bloc and, particularly, the Soviet Union.

Morejon, who also teaches at the University of Havana, believes that the Cuban state in the past promoted immigration of "convenience" by investing and training human resources in the different provinces.

In the past, most immigration was "directed" — for example, when the labor force was exported from one place to another — and "spontaneously controlled" immigration, such as when married couples, by choice, moved elsewhere to improve their chances of acquiring a home, which most of the time meant the nation's interior.

Morejon stated that the latter type is almost nonexistent, while some "directed" immigration is still seen. The prevailing type of immigration is "totally spontaneous," or the type that is prompted by people's perceptions: "I am moving to where I hope to be better off, where I believe things are better...."

Some Survey

Enmi seeks to study not only immigration but potential emigration as well. This is the type of nationwide immigration from the towns of origin to places thought of as population magnets: provincial capitals, for example.

A total of 21,258 homes were visited around the country, which allowed the gathering of data on some 100,000 people from a total Cuban population of 11 million and interviews with some 40,000 Cubans ages 15 to 64 years old, who were thought of as potential immigrants.

"This is an exclusive investigation without many world precedents, because such polls are usually conducted only at destination points, especially in metropolitan areas," the demographer noted.

If Enmi had limited itself to this sole objective — with respect to the city of Havana, for example — results would have been available early this year when the information collected at 4,300 of the 750,000 households existing in this province was processed.

In polling 9,000 of the 2.2 million capital city residents, Emni "photographed" a socio-demographical process in three well-defined phases: Before 1959, the year in which the Cuban revolution triumphed; from 1959 to 1990, and after 1990, when the special period started.

The Ranges of the Spectrum

About 35 percent of the current residents of the city of Havana Province were not born here, Enmi revealed, much to the surprise of those who conducted it. They expected this figure to be larger and are trying to explain this result through the generational factor.

"A second generation made up of the children of immigrants born in the capital could be prevailing," Morejon speculated. She stressed the poll involves only surviving migrants and this, of course, has a bearing on the results.

As time passes, there is a decreasing influence of those who arrived in Havana before 1959, mostly from the western territories and from Villa Clara, the central province that contributed the most emigrants until that crucial year in the fate of the Cuban nation.

It was possible to confirm, however, because the protagonists are still alive, that on that year the largest emigration in Cuban history toward the capital occurred, mostly from the eastern provinces henceforth: Santiago de Cuba, Granma, Holguin, Guantanamo, and Las Tunas.

That is where 47 percent of the immigrants polled hailed from, especially from the municipalities of Santiago de Cuba and Guantanamo, which were classified as highly migratory [emisores] areas from the very beginning.

Base Community [Franja de Base]

Another puzzle that needs to be solved is the bearing in this migratory process of the five types of population settlements into which Emni divided the country: Three urban settlements (city of Havana, provincial and municipal capitals, and small settlements), and two rural settlements: Those with 200 or more inhabitants, and those that have less population or are dispersed.

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The rural settlements and small urban settlements constitute to a great degree the so-called "base community" in which two-fifths of the Cuban population live and whose gradually decreasing population worries the Physical Planning Institute (IPF), which coauthored the study along with the National Statistics Office.

According to IPF studies, some 30,000 inhabitants from this "community" will have emigrated each year from 1981 to 2000, and thus, they advised planners about the need to consolidate this area to guarantee the country's future agricultural development.

Emni revealed that people emigrated to the Cuban capital, especially from the provincial and municipal capitals (78.2 percent) and the "community" contributed only the remaining 21.8 percent: 11.9 percent from urban settlements, 5.4 percent from rural settlements with more than 200 inhabitants, and 4.5 percent from rural settlements with less population.

Such results rule out a countryside-to-Havana migration in the classic sense, and reinforced the theory that progressive emigration went from the "base community" to immediately superior structures (provincial and municipal capitals...) and not directly to the Cuban capital.

Morejon also excluded the possibility of a staggered emigration toward Havana through the various levels of settlements, because migrants from the capital of urban settlements identified them as previous place of residence as well as place of birth.

"There is no doubt that investments in the nation's countryside controlled migration to the capital for a long time," the Cedem expert admitted. She added euphemistically: "Otherwise, we would have 4 million rather than 2 million inhabitants here at present."

Cuba: Report Views Delegate's 'Rendering of Accounts'

PA2703041796 Havana Radio Havana Cuba in Spanish 0000 GMT 26 Mar 96

[Report by Barbara Betancourt; from the "Evening Information Review" newscast]

[FBIS Translated Text] Little over a month ago, the delegates finished rendering their accounts to the voters during the eighth term that began last June. The Work Committee for Local Organizations of the National Assembly of the People's Government [ANPP] has made public the evaluation of this process. This report was presented to the news media and it underscored first of all the effort made to prepare these delegates. About half of these delegates had this experience for the first time.

As an innovation, this meeting was held with the neighbors who reside in each block instead of holding it according to the areas of each electoral district. Therefore, each delegate met with about 120 voters to achieve a better and more direct communication. According to the Work Committee for Local Organizations of the Cuban ANPP, the objective was not to hold small or large assemblies, but those that would facilitate dialogue and would more objectively achieve the community's work goals.

The transfer of power — which in many cases meant a change of delegate and a change in the summer vacation months — limited the number of solutions to the voters' proposals. However, some provinces had outstanding results in this area: Holguin, for instance, solved more than 79 percent of the proposals, Cienfuegos solved 77 percent, and Las Tunas solved 73 percent. This report indicates that although most provinces believed that provincial delegates and deputies had a higher participation in the rendering of accounts, various difficulties still hindered a closer link with the assemblies. It was restated that territorial administrative leaders, school principals, sports and cultural instructors, doctors, and others who work in each community should also attend all of these meetings to discuss problems, make the necessary explanations, listen to the people's opinion, seek cooperation, reach agreements, and make commitments.

A total of 48,478 meetings were held due to the aforementioned circumstances, 20,689 more than during the previous process. The attendance was over 79 percent, and more than 94,000 proposals were made. This practice —I mean the rendering of accounts — is a pillar of the Cuban democratic system because it expresses the people's participation in the evaluation and solution of their own problems. This is the most direct way for the rank and file of society itself to exercise power and to oversee the work done by the representatives who were elected by secret and direct vote.

Cuba: Ministries Review Growth in Disability Vouchers

PA2703035096 Havana Radio Rebelde Network in Spanish 1800 GMT 23 Mar 96

[From the "National Radio News"]

[FBIS Translated Text] The Public Health and Labor and Social Security Ministries will begin a review of total or partial disability vouchers issued during the past five years.

The goal of the review is to clarify the causes of the disproportionate growth in total or partial disability

vouchers from 1990 to 1995, a trend that began to decline in the last three months of 1995. This was reported during a roundtable on the topic, which took place during the workshop on health and labor safety sponsored by the Cuban Workers Federation [CTC], as a preliminary step toward the 17th CTC Congress.

Public health and labor experts participating in the roundtable stated that there are 1.351 million pensioners in Cuba, with costs in excess of 1.6 billion pesos. Therefore, they added, it becomes important to manage social security properly, without neglecting the protection of the needy.

Cuba: Minister Announces New Medical Emergency System

PA2603140696 Havana PRENSA LATINA in Spanish 26 Mar 96

[FBIS Translated Text] Havana, 22 Mar (PL) — Public Health Minister Carlos Dotres announced today that Cuba is working to organize a new medical emergency system, comprising all scientific aspects, for implementation in the community.

Dotres, who is attending the first congress of the Caribbean Medical Association (Ameca), inaugurated on Friday, commented that his ministry is sponsoring a program to train medical and paramedical personnel in handling natural disasters, accidents, and other contingencies.

We are moving this service out of the hospitals and placing it at the primary care levels, because the first hours following an accident are vital, Dotres stated.

Coincidentally, the main topic of discussion at the Ameca meeting deals with the role of health care personnel in the event of a disaster, a matter that is bringing specialists together from 11 Caribbean countries at Havana's Medical-Surgical Research Center (Cimeq).

Founded in October 1994, Ameca is an association of health professionals with a variety of paramedical and medical specialties from around the Caribbean basin.

Representatives from Martinique, Venezuela, Mexico, Panama, Costa Rica, Guadeloupe, Cuba, and other countries are attending the congress, which concludes tomorrow.

Cuba: Enterprise To Distribute Telephone Directory

PA2603040096 Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 23 Mar 96

[From the "NTV" newscast]

[FBIS Translated Text] In April, the Cuban Telecommunications Enterprise [ECTSA] will begin to distribute — after 16 years — the Cuban telephone directory. According to enterprise officials, this is one more step towards normalizing telephone service in Cuba. The telephone directory has already been presented to the press and has been edited into four volumes, each corresponding to different Cuban geographical zones. Each volume includes instructions on how to find information in the directory, useful and emergency telephone numbers, as well as general information on services offered by ECTSA and a coupon to update information.

Cuba: ANAP President Urges Increased Milk Production

PA2703032896 Havana Radio Rebelde Network in Spanish 1800 GMT 23 Mar 96

[From the "National Radio News"]

[FBIS Translated Text] Orlando Lugo Font, member of the Communist Party of Cuba's Central Committee, and president of the National Association of Small Farmers [ANAP], has called for ANAP members to take advantage of the spring season to increase milk production and sales to the state of this vital product.

Lugo made the call during a cooperative and farming sector's cattle breeders plenum, where it was disclosed that the cost of powdered milk has currently increased to $2,100 per ton on the international market. This drives us to make a supreme effort in the production of milk, thus reducing imports as much as possible. It was stressed that to reach this goal it will be necessary to guarantee the cattle's food and water, totally improve the manner in which they are handled, and adopt all measures that will assure improved milk production results. Toward this goal, Lugo announced the creation of a vanguard movement among the private sector cattle breeders in Cuba. The essential guidelines will be to obtain no less than a 60 percent birth rate [60 por ciento de natalidad] and to supply the state with 700 liters of milk per birth.

Cuba: Officials Ask People To Help With Potato Harvest

PA2603035996 Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 23 Mar 96

[From the "NTV" newscast]

[FBIS Translated Text] Villa Clara Province's party and government officials have called upon the population to participate in the potato harvest, currently at its highest point.

[Begin recording] [Correspondent Boris Fuentes] The Yagudo Miscellaneous Crops Enterprise, in Santa Clara, bares the brunt of the responsibility for the current harvest. From this enterprise's areas will be harvested one half of all of Villa Clara Province's production, approximately 400,000 quintals of potato are expected to be harvested. Currently at this enterprise, over 2,000 workers and students — who together with agricultural workers harvest approximately 17,000 quintals of potatoes daily — are mobilized daily to cope with the harvest's peak.

[Unidentified speaker] We must point out that of the national potato, of which there were expectations of harvesting 5,000 quintals, over 5,700 quintals have been harvested. Of the rest, Canadian and European potato, approximately 100,000 quintals have been harvested. We expect to continue with the same production. We must also point out that the quality of the potato being harvested is very good and there is no rot due to [words indistinct].

[Fuentes] The current potato harvest in this province surpasses 100,000 quintals. This amount should increase much more in the following days because the campaign is scheduled to conclude on 5 April. [end recording]

Cuba: Retired Workers Return to Mills After MINAZ Call

PA2703033796 Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 23 Mar 96

[From the "NTV" newscast]

[FBIS Translated Text] Hundreds of retired Cuban sugar sector workers reinitiated their tasks — at sugar mills — heeding the call of the Revolution and the MINAZ [Ministry of the Sugar Industry].

[Begin recording] [Hilda Suarez, correspondent] Lazaro Campo is one of the 50 workers with dozens of years of sugarcane harvesting experience. He works at the Piti Fajardo Sugar Mill, in Quivican Municipality, in key areas, such as steam generation, manipulating sugar, and in the spare parts recovery section. Are you familiar with every aspect of the sugar mill's operations?

[Campo] Oh, yes! Imagine, I was grinding for around 20 years. I know what this is all about!

[Unidentified reporter] How are the sugar mill's grinding operations doing this year?

[Campo] They are doing great!

[Suarez] Amidst the harvest, their contribution is significant. Just bear in mind the sugar mill's operations to date. It has surpassed production and recovery levels and is operating at over 80 percent of its production output level. These were accomplishments impossible to obtain in previous harvests. Another indicator that proves the significance of this aid were the preharvest and personnel preparations and the quality of the repairs.

[Unidentified speaker] We must underscore the good repair work that was carried out with the aid of the retirees. They directed the younger workers.

[Unidentified speaker] I have learned a lot! I did not know a thing before and they have helped me a lot!

[Suarez] It is a good time to unite youth and experience to strengthen Cuba's main industry. [end recording]

Cuba: Province Sugarcane Goal Requires 'Supreme Effort'

PA2703031996 Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 24 Mar 96

[From the "NTV" newscast]

[FBIS Translated Text] The sugarcane yield achieved in Ciego de Avila during the current decade indicates the province's aspiration to meet the harvest's goal, which represents 11 percent of the country's sugarcane production.

Lately, sirens have been wailing in Ciego de Avila's mills, sometimes louder than usual. This happens when one of the mills becomes the winner of the emulation program, among all the forces participating in the Final Push to Victory Operation, which was summoned by the provincial bureau of Communist Party of Cuba. The operation aims to take full advantage of all the potential stemming from the integral overhauling of the harvest. Grinding during this decisive stage is essential to achieve a sweet 17 yield.

The country has recently allocated the resources to the province, to strengthen its production capability, including 60 trucks donated by the Revolutionary Armed Forces. High productivity brigades of macheteros, and others created by the Ministry of Interior, the Party, and the Union of Young Communists, are incorporating to the mills that need their efforts.

So far, the province has achieved a growth of 80,000 tonnes when compared with similar stage in 1995. However, to complete its sugar production plan — one of the two largest in the country, a supreme effort is needed, superior to last decade's effort, when 81 percent of the production's goal was achieved.

Results during the harvest's last 40 days will depend on the workers' intelligence, competence, and dedication.

Cuba: President of Artists Group on Projects, Sponsors

PA2803044996 Havana Radio Rebelde Network in Spanish 0000 GMT 27 Mar 96

[Interview with Fernando Rojas, president of the Hermanos Pais Association of Cuba, by reporter Ana Teresa Badia; place and date not given; from the "Exclusive" newscast]

[FBIS Translated Text] The following report deals with the 35th anniversary of the UJC [Union of Young Communists]. Here is Ana Teresa Badia with the report. Ana Teresa, how are you?

[Badia] Very well, thank you. Good evening to all listeners of the "Exclusive" newscast. Today we will talk with Fernando Rojas, president of the Pais Brothers Association [Asociacion Hermanos Pais], which groups nearly 3,000 artists [creadores] from all over the country. Precisely, we will be talking about the hobbies, dissatisfactions and projects of the young Cuban intellectuals. Good evening, Fernando.

[Rojas] Good evening to "Exclusive" newscast listeners.

[Badia] Recently, the association held its first national meeting after eight years without holding a meeting. Many people were dissatisfied, including critics. In this case, what is the opinion of Fernando Rojas?

[Rojas] I could never say that I am satisfied about a work that has to be completed . We even insist more on the dissatisfactions. There are many things to be resolved, especially in the sense of giving the entire artwork of the association members the sense of quality and rigor we must give it. But I believe we gave the country the discussion among young revolutionary intellectuals that the country needed. And this is the most important thing that must be highlighted in our national meeting.

[Badia] [Words indistinct] the association reached its national meeting with the establishment of a board of persons sponsored [words indistinct] by different organizations [words indistinct] but wouldn't the group lose the autonomy it has demanded?

[Rojas] I don't think so. We preserve, within our structures and working formulas, the possibility to decide on the artistic and cultural value of the projects. I believe that for an organization of artists this is the most important thing.

It is up to the sponsoring board and the s[illegible]oring committees in the provinces the possibility and [illegible]thority to analyze the different variables of financing, production, promotion, and dissemination that must be found for these projects.

[Badia] I propose to Cesar and the friends from "Exclusive" newscast to meet shortly to continue to talk about the [words indistinct]. Will our artists be capable of continuing this cultural process and even enrich it? We will know it shortly.

[Station announcer] Thank you, Ana. We look forward to hearing from you in the next half hour.

Haiti

Haiti: Radio Views Bob Dole's Criticisms, U.S. Aid

PA2703232496 Port-au-Prince Signal FM Radio in French 1130 GMT 27 Mar 96

[From "The Waking Up Newscast"]

[FBIS Translated Text] Bob Dole is more and more hostile to Haiti. He does not want to give up. He continues to demand the freezing of the U.S. financial assistance to Port-au-Prince due to the unexplained refusal of the Haitian Government to investigate the numerous political crimes committed in the country in the past.

Robert Dole refuses to admit that the operation led by the Clinton administration in Haiti to restore the government of former President Aristide is a remarkable success. The leader of the Republican majority at the Congress accepts the word test attributed to the operation of the Clinton administration in Haiti, but not a success. Bob Dole cites as proofs of the clumsy march of the democratic process in Haiti, the frauds recorded during the latest legislative elections of last June denounced by the main observer sent by President Clinton to Haiti, who wrote following his observations: There are plausible proofs that President Aristide did not remain neutral at the time of these elections and that of the 13 preceding elections I monitored during all my career those of Haiti, these Haitian legislative elections, were the worst.

Bob Dole has expressed doubts as to the success of the economic reforms that the Preval-Smarth government intends to undertake because of the mess in the public finances, which engenders serious budget deficits. He has finally recalled the hesitation of the former Prime

Minister Smarck Michel, who did not want to rush headlong into such an enterprise.

Haiti: U.S. Said 'Ready' To Return All FRAPH Documents

PA2803012996 Port-au-Prince Signal FM Radio in French 1130 GMT 27 Mar 96

[From "The Waking Up Newscast"]

[FBIS Translated Text] The United States is ready to return all the documents of the Revolutionary Front for the Promotion and Progress of Haiti [FRAPH] confiscated by the State Department. However, it demands safety guarantees for its citizens, mostly businessmen whose names appear in these documents, an official of the Pentagon told Jean-Robert Sabalat, president of the foreign affairs commission of the Senate. According to him, these businessmen who visited Haiti during the time of the coup d'etat considered the possibility of investing in the country but were not involved in the military putsch.

Senator Jean-Robert Sabalat has announced the intention of the upper chamber to address the prime minister and the minister of foreign affairs to invite them to form a delegation in charge of meeting with this Pentagon official. However, he says he is ready to be part of this delegation as part of the steps toward the recovery of the totality of the FRAPH's documents confiscated by the Americans.

[Begin Sabalat recording, in Creole] He was a bit embarrassed and he told me that as far as the Pentagon is concerned they do not have problems in giving us the documents, but that what has created a problem is that now they have a list of people whose names appear in these documents, people who were not involved in the coup d'etat, according to them. They are simple industrialists, U.S. businessmen whose names you can find in the documents but they are people who were not directly involved in the coup d'etat. They just addressed the de facto government in order to know if they could come and work in the country. They say the solution to the problem has virtually been found [words indistinct] a delegation aimed at consulting together with them all the documents, page by page, so the Haitian Government can know who they are, and that they would not like to be involved in the activities of FRAPH. Following that, they would be willing to give us all the documents. The Haitian Government should then give them the guarantee that they would not prosecute those people because they were not really involved in the coup d'etat. What I am going to do after I know this information is that I am going to solicit from the government... [pauses] I will write to the prime minister and the foreign affairs minister to prompt them to form a delegation as soon as possible in order to respond to what those people told me so we can get them with the back to the wall. [end recording]

Haiti: Preval Presents Measures To Aid Privatization

PA2703015896 Port-au-Prince Signal FM Radio in French 1130 GMT 26 Mar 96

[From the "Waking Up" newscast; passages within slantlines in Creole]

[FBIS Translated Excerpt] We will begin this newscast with the privatization issue. In Port-au-Prince, no one has stopped talking about it, and President Preval wants to reassure protestors by announcing that he intends to adopt a formula that responds to the needs of the deprived masses. Rene Preval is considering taking other measures to help alleviate the social effects that might result from the implementation of the structural adjustment program.

The Haitian executive branch and international sponsors are considering redistributing the managerial staff of the public administration in order to gain the advantages of decentralization. The dismissed employees would be paid either six or 12 months of their yearly salary, Rene Preval explained.

[Begin Preval recording] All the possibilities are open / since they are good for us. There is the privatization of management. Privatizing management means that you sign a contract with a company, which is paid on the basis of the profits from its management. Second, you can rent out, lease, or otherwise enable the participation of privatization; there are all kinds of formulas, provided that this formula is good for us.

/Haitian people — as far as I am concerned — I guarantee that I will fight to make sure this formula is good for the Haitian people.

/It is not a question of dismissing workers or not dismissing them. When you are making administrative reforms, compensation is planned by the sponsors to alleviate the social effects so — if the persons are paid six months or one year of his or her salary — he or she can do other tasks.

/Anyway, this does not mean that the employee cannot go to another state service if he or she comes from a given state service. It is question of redistributing expertise. [passage omitted]/ [end recording]

Haiti: MIDH Criticizes Lavalas Over Privatization Issue

PA2703015996 Port-au-Prince Signal FM Radio in French 1130 GMT 26 Mar 96

[From "The Waking Up Newscast"]

[FBIS Translated Text] The Movement for the Establishment of Democracy in Haiti [MIDH] denounces the (?reversals) of the lavalas team on the issue regarding the privatization of the state-owned enterprises. The head of the party, Marc Bazin, is questioning the multiple strategies adopted by the lavalas leadership, mainly former President Aristide who sometimes wanted to democratize [the state-owned enterprises] to the advantage of the victims of the coup d'etat, and sometimes considered privatization a grave offense.

Anyway, according to the letter of the MIDH, what is already clear is that the strategy to rid the public sector of the state-owned enterprises and, all the more so, of the upheaval of the state-controlled structures, is a complex and risky undertaking that has no chance to succeed in shambles, haste, and ambiguity without a prior law on privatization defining the criteria, objectives, limits, and telling what can be privatized, what cannot be privatized, and when it can be done.

No matter how it is, these questions and many others deserve clear answers in a written statement from the government.

Meanwhile, the fact remains that in a sociopolitical context marked by the amused and skeptical silence of the political parties in front of the lavalas reversal, and by the open hostility of the unions and associations rightly frustrated for having been deceived for 10 years, any privatization [words indistinct] — as considered by the president of the Republic — undertaken for wrong reasons, and under bad conditions, would bring as many problems as solutions to the country. This is the conclusion of the letter of the leader of MIDH, Marc L. Bazin.

Haiti: Privatization Described as 'Favorable' to Economy

PA2703014596 Port-au-Prince Signal FM Radio in French 1130 GMT 26 Mar 96

[From the "Waking Up Newscast"]

[FBIS Translated Excerpt] The divergent reactions to the privatization issue come one by one from everywhere. Macajoux Medard, the president of the Chamber of Commerce and Industry of Cap-Haitien, supports the government of the Republic in its move to modernize the state. However, he suggested that the government should clearly explain to the nation the concept of privatization. According to Macajoux Medard, the privatization of state-owned enterprises by the current governmental team will be favorable for the Haitian economy.

[Begin Medard recording, in Creole] The opinions are certainly diversified and even divergent; however, on the whole, we can say that we think the president's approach to privatization is positive and that we do not see any other way.

Obviously, there is a problem. They have come up with a word called privatization. Most people do not know what privatization is. Many people have exploited the word privatization, and there is also a misplaced nationalistic trend that is exploiting the word privatization. In fact, one of the first things that should be done is to give the people explanations about what privatization is. [passage omitted] [end recording]

Haiti: Deputy Saint-Paul Views Preval, Privatization

PA2803005796 Port-au-Prince Signal FM Radio in French 1130 GMT 27 Mar 96

[From "The Waking Up Newscast"]

[FBIS Translated Excerpt] The privatization issue is still being talked about. The president of the Chamber of Deputies Fritz Robert Saint-Paul is very reserved about this question. He has expressed doubts as to the positive results of this economic policy. Deputy Saint-Paul thinks it is an economic policy that favors a minority to the detriment of the masses. The following is a report by Yvener Millien.

[Begin recording] [Millien, in Creole] Apparently, the two chambers will not consider the reservations of the executive on the law on territorial communities. This is a statement by Fritz Robert Saint-Paul, the president of the Chamber of Deputies who added that the time limit of eight days is over and the executive has not expressed any reservations. Thus, it is too late. The president of the Chamber of Deputies advised that according to the Constitution the reservations must be produced by the president whereas the remarks were made by the prime minister. Deputy Saint-Paul thinks the step is wrong.

[Saint-Paul, in Creole] Our compass is the Constitution and the Constitution stipulates that the president of the Republic has an eight-day time limit to make objections, for instance, to a law supposedly voted by the two chambers. As the eight-day time limit went by and that there was no objection, we think that on the constitutional plane, they [not further identified] cannot reproach us for anything. Second, it is said that it is the president of the Republic who is entitled to make those

objections, but we see that they have been made by the prime minister although he says he has acted jointly with the president. We think the move is not right.

[Millien, in Creole] Furthermore, on the privatization issue, the president of the Chamber of Deputies said that one cannot cite two Latin American countries where the privatization model has succeeded. In fact, the poor stay poor, and a minority gets richer. These are statements by Deputy Saint-Paul. [passage omitted] [end recording]

Haiti: MDN Head Criticizes Lavalas Over Privatization

PA2803013396 Port-au-Prince Signal FM Radio in French 1130 GMT 27 Mar 96

[From "The Waking Up Newscast"]

[FBIS Translated Text] The Mobilization for National Development [MDN] has taken a stand against the privatization process. MDN leader Hubert De Ronceray severely criticizes the lavalas power for having taken the privatization path. MDN says it opts for a new political choice in order to promote democracy and to get the people out of this misery that has lasted too long.

[Begin De Ronceray recording] The foreign occupant did not and will not accomplish economic miracles to pay tribute to immorality. By undertaking to become the champion of the privatization of the state-owned enterprises and by promising the document of the squadrons of death, the lavalas power believes that it has conquered and charmed the foreign observers who are used to its contradictions and disownments. The hard line of the U.S. Congress is not ready to juggle with diplomacy on Haiti or to release innocently the financial aid in favor of the extremists of the left. For the well-informed sectors of the international community, the Haitian democratic process has failed. [end recording]

Haiti: Official on Market Rules, Climate for Investments

PA2703014496 Port-au-Prince Signal FM Radio in French 1130 GMT 26 Mar 96

[From "The Waking Up Newscast"]

[FBIS Translated Text] For his part, Edouard Baker, president of the presidential commission for economic growth, is encouraging Haitian investors to create stable jobs. Baker has insisted on the importance of the definition of the market rules and the establishment of a safe climate, two elements essential, according to him, for boosting the Haitian economy.

[Begin Baker recording] In my opinion, the role of the private sector is to create stable jobs in the country. I believe that all we have always asked for was a clear definition of the rules of the game and the creation of a climate favorable to investments. When one speaks of macroeconomic policy, it is exactly that, the establishment of an economic policy that will create a climate that facilitates and encourages both national and foreign investments. [end recording]

Mexico: Peruvian President Arrives for Official Visit

PA2603231896 Mexico City XEW Television Network in Spanish 0400 GMT 26 Mar 96

[From the "24 Hours" newscast]

[FBIS Translated Text] Peruvian President Alberto Fujimori began a three-day official visit to Mexico.

The Peruvian and Mexican national anthems were played on the main patio of the National Palace. Among children waving the flags of both countries, President Ernesto Zedillo welcomed Fujimori on his fourth visit.

[Begin Zedillo recording] We share common goals of fighting poverty, solving the environmental problem, and taking an active part in the struggle against drug trafficking and organized crime. [end recording]

Free trade will be another issue to discuss with Fujimori during his three-day visit.

[Begin Zedillo recording] Efforts to hold negotiations for a free trade agreement between Peru and Mexico show our intentions of strengthening bilateral relations. [end recording]

Peru has had relations with Mexico for more than 160 years. Fujimori also stressed his country's willingness to reach a free trade agreement.

[Begin Fujimori recording] Our contacts are going to prompt advancements in the trade sector, as well as an extensive investment exchange. [end recording]

Zedillo and Fujimori presented their respective delegations and reviewed the guard of honor. Afterward, they met in private.

Later on, Mexico City Mayor Oscar Espinosa declared Fujimori the guest of honor at City Hall in the Federal District. He was not presented with the keys of the city on this occasion, because he had already received them on his first visit.

Back at the hotel where Fujimori is staying, he had a private lunch. Later he met with Herminio Blanco, Guillermo Ortiz, Carlos Ruiz Sacristan, and Jose Angel Gurria, commerce and industrial development, finance and public credit, communications and transport, and foreign secretaries respectively.

In the evening, Fujimori went to the National Palace to attend a dinner in his honor held by Zedillo. Delegations from both countries, as well as the diplomatic corps accredited to Mexico were also present. Fujimori was decorated with the Grand Collar of the Mexican Order of the Aztec Eagle, while Zedillo was honored with the Peruvian Sun Order in the grade of Grand Cross with Diamonds.

Mexico: Zedillo, Peru's Fujimori Discuss Drug Issues

PY2603222696 Madrid EFE in Spanish 0359 GMT 26 Mar 96

[FBIS Translated Text] Mexico City, 25 Mar (EFE) — Mexican President Ernesto Zedillo today urged Peruvian President Alberto Fujimori to "harmonize efforts" to comply with the "international task" of fighting drug trafficking.

Zedillo said that Fujimori's official visit to Mexico, which began today and will conclude on Wednesday, will serve as an opportunity to study the mutual interest in "fighting poverty and drug trafficking, and to promote free trade."

The Mexican president praised the Peruvian Government's support for the proposal to hold a world summit against drug trafficking.

Zedillo gave a dinner tonight for the Peruvian president at the National Palace during which the two presidents exchanged the Grand Collar of the Mexican Order of the Aztec Eagle and the Order of the Sun of Peru, respectively.

Fujimori praised the work of Zedillo, "democratic conductor of Mexico," after the crisis of December 1994, "a tough test at the beginning of his administration."

In his speech, the Mexican president also announced "the forthcoming initiation of negotiations" to achieve a free trade agreement between the two countries.

Mexico: Zedillo, Peru's Fujimori Begin Trade Talks

PA2803020296 Mexico City NOTIMEX in Spanish 1132 GMT 26 Mar 96

[By Hugo Rosell]

[FBIS Translated Text] Mexico City, 26 Mar (NOTIMEX) — Mexican officials stated today that the start of talks leading to a free trade agreement between Peru and Mexico will be the main outcome of President Albert Fujimori's visit that began in this capital city.

Herminio Blanco, commerce and industrial development secretary, stated to NOTIMEX that the technical commissions responsible for negotiating a bilateral free trade agreement will be installed as result of Fujimori's visit. This agreement represents a joint market of over 114 million consumers.

This would also lead to a major complementary agreement between both countries economy that would add

up to a GDP of more than $331 million, according to official figures disclosed by both countries.

"This agreement will not only include a market for goods and the establishments of guidelines, but will also serve as an opening for the service sector, intellectual property rights, investments, and government procurements, since it will also include a dispute settling mechanism," Blanco asserted.

The commercial agreement with Peru would be similar to the ones Mexico already has in effect with Costa Rica, Bolivia, Colombia, and Venezuela, the official added following a meeting with Fujimori in a Mexico City hotel.

At the same time, Mexican Foreign Secretary Jose Angel Gurria stressed that during the South American president's visit several education and cultural cooperation agreements will be signed, and the establishment of a Binational Commission for Scientific and Technical Cooperation will be approved.

"There is a variety of issues to be discussed since the agenda to be covered between both nations is extensive and cooperation is very wide-ranging. However, now with the visit, things are going to become more down-to-earth," the official added shortly prior to his meeting with Fujimori.

According to the head of Mexico's foreign secretariat, drug trafficking will be one of the issues to be discussed and out of this meeting a Bilateral Commission to Struggle Against Drug Trafficking will be established possibly during the second half of May.

At the same time, this new body will join other multilateral and regional organizations involved in the matter so discussions on this topic are of major importance, Gurria added.

On the other hand, Mexican Communications and Transport Secretary Carlos Ruiz Sacristan explained that one of the main breakthroughs in the relation between both nations was the recent launching of regular direct flights between major airlines from Mexico and Peru.

"The completion of flight agreements between Aeroperu [Peruvian State Airlines], Aeromexico and Mexicana de Aviacion will serve to provide direct flights that will increase tourism and facilitate the shipment of merchandise and business travel since it is an economically viable project," Ruiz pointed out.

The official said that, as a result of Fujimori's visit, Peru and Mexico will share their experience in the telecommunications, railroad, and airport sectors, to improve development strategies in upcoming years.

Fujimori will meet again with Zedillo shortly before returning to Lima tomorrow, Wednesday, to evaluate their economic cooperation and bilateral trade, with the intention of bolstering regional and hemispheric integration.

"We can advance toward the achievement of development as never before in our continent, seeking integration and taking advantage of free trade," President Zedillo predicted in the official ceremony to welcome Fujimori.

The two countries want to strengthen a commercial exchange that totaled $288 million in 1995, $33 million less than the previous year, although an important increase in Mexican exports to Peru was observed.

Leading Mexican exports to Peru include assembled vehicles, automatic data processing machines, cement, agricultural products, raw agricultural materials, and film, among other products.

Meanwhile, Peru exports copper and lead minerals, blubber and fish oil, automotive lubricants, fabrics and textiles, and cell and battery parts, among other products.

Peru hopes to attract approximately $600 million in Mexican exports this year, basically in the mining sector. This is double the amount collected in 1995, according to Peruvian delegation sources.

The Peruvian private sector will also explore investment opportunities in Mexico to multiply them from their current level, barely $8 million.

The Peruvian president arrived in Mexico on Monday, for a visit that will extend until Wednesday and that includes two meetings with President Ernesto Zedillo, Mexican Government officials, legislators, and private sector representatives.

In the official reception offered at the National Palace President Zedillo emphasized before Fujimori the need to advance toward the establishment of a Free Trade Agreement and to bolster cooperation between the two nations.

During the first day of his official visit the Peruvian president was declared distinguished guest of this capital; he received the keys to the city; and he held his first round of talks with the Mexican president.

In the afternoon Fujimori met separately with Mexican Foreign Minister Jose Angel Gurria, Communications Secretary Carlos Ruiz Sacristan, and Commerce Secretary Herminio Blanco.

Fujimori concluded the first day of his visit with a dinner that President Zedillo offered in his honor at

the National Palace, and during which the Peruvian president bestowed the Order of the Sun to Zedillo and the Mexican president bestowed the Order of the Aztec Eagle in the grade of Grand Collar to Fujimori.

[Mexico City XEW Television Network in Spanish at 0400 GMT on 27 March carries a report on President Alberto Fujimori's address to the Mexican Senate. Fujimori talked about his country's conflict with Ecuador and said "the deplorable conflict" that "brought two brother nations like Ecuador and Peru face to face has apparently whetted the appetite of arms traffickers, who prowl waiting for mistrust and skepticism to unleash a rash arms buildup in the region."]

Mexico: Peru's Fujimori Notes Importance of Ties, Trade

PY2703154396 Lima EL COMERCIO in Spanish 26 Mar 96 p A6

[By special correspondent Claudia Izaguirre Godoy]

[FBIS Translated Excerpt] Mexico City — "We met with the idea of reuniting our countries." This is how President Alberto Fujimori summarized the reason for his fourth visit to Mexico at the invitation of Mexican President Ernesto Zedillo.

Although this is Fujimori's fourth visit to Mexico, it is his second state visit at the bilateral level. The purpose of the meetings held at the political, diplomatic, and commercial level is to give new drive to the mutual relations and to make progress toward the establishment of a free trade zone.

It is worth recalling that Mexico is particularly important in the regional and international context because it has an active participation in organizations such as the Asia-Pacific Economic Cooperation, APEC; the Organization for Economic Cooperation and Development (OECD); NAFTA; and the Caribbean Countries Association.

As stated by President Fujimori during the welcoming ceremony in the main patio of the National Palace, "our contacts are going to prompt advancements in the trade sector, as well as an extensive investment exchange."

Fujimori added: "I am convinced that during the three-day work meeting, we will establish the basis to strengthen our traditional good relations and take a step ahead for the integration of our people."

Mexican President Zedillo said that the two countries have the firm political will to strengthen their relations. He also pointed out the similar points of view on some issues of interest that create concern and demand wider cooperation.

President Fujimori and his delegation arrived at Mexico City's international airport at 1120. The official honor was headed by Mexican Foreign Minister Jose Angel Gurria. [passage omitted]

Mexico: Peru's Fujimori Denies Purchase of Aircraft

PY2703033596 Lima America Television Network in Spanish 0100 GMT 27 Mar 96

[FBIS Translated Text] On the second day of his visit to Mexico, Peruvian President Alberto Fujimori categorically denied a press report stating that Peru has purchased overvalued MiG and Sukhoi-25 aircraft from Asian traders. The Peruvian president made these remarks today to the Senate of the United Mexican States.

[Begin recording] Peru as a sovereign country has the right to purchase what is necessary for its defense and whenever it finds it appropriate, but not to attack anyone. In either of the two cases, we do not admit corrupt operations; namely, the reported overvaluation or the payment of commissions.

The unfortunate conflict in the Upper Cenepa has led the two sister nations of Ecuador and Peru to a confrontation, and this apparently whetted the apppetite of arms smugglers who want fear and mistrust to create an arms race in the region. Moreover, they have resorted to all types of tricks, such as rumors about alleged purchases and even overvalued prices reaching as high as $500 million. [end recording]

The Peruvian president thus denied the press report about an alleged purchase of MiG-28 aircraft, concerning which there are rumors of overvaluation and bribery.

The president also attended a ceremony at the local monument in honor of the heroic children, defenders of the Chapultepec castle. The Mexican and Peruvian national anthems were played at the foot of the monument.

As this current report ends, President Fujimori was preparing to attend a second round of talks with President Ernesto Zedillo, after which bilateral agreements will be signed. One of them refers to the initiation of a free trade agreement and another to drug trafficking.

Mexico: EU Trade Accord Said 'Too Important To Rush'

PA2703202396 Mexico City NOTIMEX in Spanish 0120 GMT 26 Mar 96

[FBIS Translated Text] Mexico, 25 Mar (NOTIMEX) — The topic of a Free Trade Agreement with the EU

is "too important to rush it," Mexican Foreign Secretary Jose Angel Gurria Trevino said today. Mexico's current negotiations with the EU seek a quality agreement with that region of the world, the Mexican foreign secretary pointed out after inaugurating the UN Development Program (UNDP) conference in this capital.

He explained that the Mexican Government wants to strengthen its diversification policy in the political, economic, and commercial areas, and is the reason why it is interested in negotiating a broad agreement with the EU; however, this requires great care and thought. According to Gurria, Mexico has not begun any formal contact with the EU in this respect.

Gurria stressed that after speaking to ranking European officials on this agreement, Mexico expects the 15 EU member countries and the European Commission itself to begin negotiations to issue a decision.

Inaugurating the regional UNDP meeting, organized by the United Nations, the foreign secretary emphasized that Mexico has overcome the most difficult part of the crisis and that it is currently trying to strengthen the structure of the national economy.

He added that the fight against poverty, the protection of human rights and social justice, and the preservation of the environment are aspects on which the nations should work from multiple fronts linked to social development. Those goals should be attained through policies that promote a greater access to health and education, which counter the structural causes of poverty, and provide equal opportunities to all the citizens, he indicated.

"Mexico reiterated its conviction to solve regional problems dealing with the environment, and the fight against drug trafficking via international cooperation," Gurria noted. Gurria told representatives of Latin America and the Caribbean that Mexico is working to create new mechanisms to effectively use the opportunities of international cooperation.

Referring to relations with the UNDP, he indicated that currently 21 cooperation programs are under way, mainly those that support the micro, small, and midsize enterprise, whose objective is to provide technical and financial assistance.

Other projects with this forum include the plan to Support and Foster Relations between the Universities and Industries, whose goal is to promote research that encourages the competitiveness of the domestic industrial sector. Gurria admitted the difficulties being faced by this program to fulfill its tasks efficiently, since the official resources are increasingly scant and the number of countries that demand cooperation is on the rise.

He also maintained that the countries of the region are facing major challenges to achieve the goals of sustainable development they have set for themselves.

Fernando Zumbado, the UNDP director general for Latin America and the Caribbean, said that a new consensus is emerging among the countries of the area regarding the need to modernize the institutions without distorting the very essence of the state. He said that reform attempts based exclusively on criticizing the excesses and violations of interventionism "have not produced truly satisfactory results."

UNDP Administrator James Gustave Speth, as well as the representatives of this international organization living in this hemisphere, also attended the meeting, which will conclude on Friday.

Mexico: Council Views Effect of NAFTA on Food Market

PA2703223596 Mexico City LA JORNADA in Spanish 25 Mar 96 pp 64, 54

[Report by Claudia Herrera Beltran]

[FBIS Translated Text] The National Agricultural Council (CNA) has stated that Mexico unilaterally opened its agricultural food product market "much more than was agreed to" in the NAFTA, and since NAFTA's implementation, the Mexican part "has realized that the protectionist mechanisms that were negotiated, and to which Mexico has a right, are ineffective."

A study called "An Assessment of NAFTA on the Mexican Agricultural Food Sector" explains that over the course of 21 months, Mexico showed serious internal deficiencies in implementing and managing import limits, favored imports, increased the purchase of foreign final consumer goods, reduced its internal agricultural industrialization, reaffirmed its dependence on imports of raw materials from its trading partners, and experienced limited export growth.

According to the CNA, Mexico's 1995 agricultural food product trade surplus was circumstantial, and believes that the indicator will again show a deficit in 1996, as in 1994, and will only reach an equilibrium in the long-term.

Due to Mexico's "deficiencies" implementing and managing the import limits and quotas, the CNA expects barriers on agricultural products to be lifted without fulfilling the tariff-lifting agreements included in the trade agreement.

In stark contrast to Mexico's attitude, the CNA points out that the United States has not totally followed NAFTA and restricts the access of products such as

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pork, fowl, and avocados to its potential market worth $855 million a year.

The document also emphasizes that the treaty had no direct positive effect on internal production. On the contrary, the cattle raising and meat producing sectors saw their production activities drop as the domestic market shifted because of higher imports.

In reaction to the above, the CNA is proposing some adjustments and controls to force the parts to adhere more strictly to the terms negotiated in NAFTA and provide the sectors with the right conditions to take advantage of the treaty and the times.

The CNA stated that the rise in imports during the agreement's first year came about because Mexico did not have the institutions and mechanisms to manage the import limits. It did not even have an appropriate legal system to defend the agricultural sector against unfair practices.

The rise in imports, the CNA said, is a reflection of the fact that the United States and Canada were able to access the market instantly because their industrial sector was prepared. Mexico, meanwhile, embraced a long-term effect policy.

Mexico reduced U.S. and Canadian imports by 25 percent ($958 million) in 1995, particularly in the areas of meat, beverages, grains and cereals, oilseed, pork, and tropical fruits.

According to the CNA, the drop in imports was due more to a contraction in the domestic market stemming from people's eroded purchasing power rather than a reduction in industrial production activity.

On another note, the CNA attributes the slow growth in agricultural exports to the strict application of tariff-reducing plans by the United States and Canada, as well as a delay in the recognition of buffer zones against pests and diseases and an industrial sector and domestic infrastructure ill-prepared to take advantage of the treaty.

Mexican exports to its trading partners grew by 52 percent ($1.308 billion) in 1995, mainly in the sales of fresh vegetables and legumes, coffee, meat, and sugar.

Mexico: Zedillo Says Economic Recovery 'One Step Away'

PA2703024596 Mexico City NOTIMEX in Spanish 2113 GMT 25 Mar 96

[FBIS Translated Text] Mexico City, 25 Mar (NOTIMEX) — President Ernesto Zedillo affirmed economic recovery is one step away. He also voiced his confidence that in a few months that momentum would become consolidated and investments in new sources of jobs will begin to recover.

During a private unity breakfast with the Revolutionary Confederation of Workers and Peasants [CROC], the president maintained that once the economy starts growing a gradual recovery of wages will be seen without imperiling jobs.

He added that giving full freedom to the talks on wages of collective agreements "will allow us to see the gradual recovery of wages without imperiling the recovery of jobs."

According to a communique by the Presidency, Zedillo reiterated to the CROC members that he feels for and is "the strongest ally of their causes."

Speaking before the CROC Executive Committee, headed by its leader Alberto Juarez Blancas, the president stressed that the economy has opened up.

"We have an internal deregulation policy which is poised to achieve the necessary productivity and competitiveness of our economy," Zedillo added.

The president noted a recovery of lost jobs began to be experienced in latter months of 1995, and that trend will grow stronger in the months ahead.

He reiterated his commitment with the working class in the sense that "the only admissible changes in the current labor laws are those that favor workers."

Roberto Ruiz Angeles, CROC secretary for peasant affairs, said that the Federal Labor Law has to be adjusted to the situation the country is currently experiencing, which is why the changes should not be left in the hands of the opposition political parties.

"We support your economic program and trust in the success of the Alliance for Economic Recovery, because it is the appropriate instrument to lower inflation," he said to convey the support of the CROC members to his policy.

Mexico: Zedillo To 'Firmly Uphold' Fiscal Discipline

PA2703232396 Mexico City LA JORNADA in Spanish 26 Mar 96 p 37

[Report by Roberto Garduno Espinosa and Patricia Munoz]

[FBIS Translated Text] President Ernesto Zedillo said yesterday that "we will firmly uphold the fiscal and monetary discipline," because "only this will enable us to reduce inflation."

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At the closing ceremony of the 78th Regular Session of the Confederation of Industrial Associations (Concamin), the president stressed that his government is fulfilling the commitments of the Alliance for Economic Recovery (APRE).

The president offered the industrialists options for growth and maintained that in April, his government will disclose the appropriate and permanent conditions of profitability for exports, the mechanisms for the development of industrial organizations and the development of the domestic market, as well as the efficient substitution of imports.

Ernesto Zedillo pointed out that his administration will uphold "firmly" an exchange policy that gives a competitive edge to Mexican products and stability to the balance of payments. In addition, he said, his administration will promote reforms to foster domestic savings, because it is necessary to have sound sources to finance productive activities in the medium and long term.

He admitted that the trend registered by exports has enabled us to maintain thousands of jobs and has also sustained production in different sectors.

The federal executive believes that exports, mainly manufacturing exports, whose growth surpass those by the maquilas [assembly plants], constitute a stimulus for recovery. According to official figures, Mexican exports increased by 30 percent in the past year.

In this sector, he pledged a greater impulse for domestic and foreign investments, because they constitute a steady point of reference for the generation of jobs, and noted that since the last months of 1995, there have been signs of a "moderate economic recovery."

The president replied to the demand that the projected public spending be implemented: "Public investment in February and March has been in keeping with what was planned and agreed upon within the framework of the APRE. The government will continue to fulfill its public investment commitment, but, as we established in the APRE, the activity of the private sector will continue to be the leading impulse to achieve economic recovery."

President Zedillo gave instructions to the secretary of Commerce and Industrial Development to work with Mexico's industrialists and conclude the Industrial Development Program, which will be disclosed next month.

The president indicated that the Mexican productivity faces a basic challenge, namely, to create an internationally competitive physical infrastructure and implement equally competitive public policies.

"To accomplish this task, the state is currently allocating, in the area of industrial development, all types of resources. In many areas, these resources are insufficient, but in others, they are ample and varied. However, these instruments are still scattered," he emphasized.

He explained to the industrialists the guidelines of the industrial policy:

— To create appropriate and permanent conditions of profitability for direct and indirect exports, and to broaden and strengthen the access of domestic products to international markets.

— To establish mechanisms that speed up the development of internationally competitive industrial organizations, both local and regional, and promote the increasing incorporation to these organizations of micro, small, and midsize companies. In this area, the participation of a larger number of Mexican suppliers will be ensured.

— To foster the development of a domestic market and the efficient substitution of imports as the basis of the domestic industry's incorporation into the global economy.

He told the industrialists that the National Finance Bank has more than 25 billion pesos to be used by the various organizations of this sector, and compared this figure to the 8 billion pesos provided by the institution in 1995.

He recalled that the National Foreign Trade Bank has approximately 60 billion pesos to support the growth of Mexican exports.

Mexico: Zedillo Pledges Solution to Colosio Murder Case

PA2603132596 Mexico City NOTIMEX in Spanish 0106 GMT 24 Mar 96

[FBIS Translated Text] Mexico City, 23 Mar (NOTIMEX) — Mexican President Ernesto Zedillo voiced on 23 March his government's commitment to "seek the truth and to ensure that justice is served" in the unsolved murder of presidential candidate Luis Donaldo Colosio.

"No suspect (in the murder of Colosio) will go unpunished," the president noted in a communique issued on 23 March on the second anniversary of the politician's assassination.

Colosio was killed by two gunshots on 23 March 1994 in Tijuana, Baja California State, in northwestern Mexico, after a Institutional Revolutionary Party (PRI) campaign stop.

The president pointed out that "nobody, no interest" will affect the investigations, and he added "they should proceed despite any pressures."

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The investigations "seek the truth to ensure justice is served," Zedillo pointed out.

Colosio's confessed assassin, Mario Aburto, who was arrested and sentenced to 45 years in prison, and a second presumed perpetrator of the homicide, Othon Cortes, are in prison and facing a judicial process.

The investigators speculated that others could be involved as masterminds in the politician's assassination.

Zedillo, who was selected as the PRI candidate to replace Colosio, laid a wreath on a monument dedicated to the slain candidate.

PRI President Santiago Onate Laborde pointed out during a party ceremony in the Mexican capital that the demand that justice be served in the Colosio murder case still prevails.

Colosio was also remembered on 23 March when representatives of the government and the armed group Zapatist National Liberation Front (EZLN) observed a minute of silence in honor of the politician as they resumed peace negotiations.

The negotiations were resumed in San Andres Larrainzar, southeastern Chiapas State.

A mass was held at Fatima Church in Monterrey, capital of Nuevo Leon State, in memory of Colosio. It was attended by the children of the late candidate.

Residents of Colosio's hometown, Magdalena de Kino in Sonora State, in which the remains of the politician were laid to rest, carried out various religious and political activities in memory of the late leader.

Mexico: Article on Military Pressure Building in Chiapas

PA2703153196 Mexico City LA JORNADA in Spanish 22 Mar 96

[Article by Paulina Fernandez: "Military Maneuvers"—received via Internet]

[FBIS Translated Text] A little over a year ago, during "unproductive times" [tiempos de secas] such as now, Ernesto Zedillo "revealed" from the president's official residence that instead of preparing for dialogue, he had been preparing for war; but he did not say that this was what the Federal Government had been doing ever since he took office; instead, he accused the Zapatist National Liberation Army of preparing for war to justify, among other things, the Mexican Army's occupation of the so-called war zone in Chiapas.

In March 1996, it can be said that something similar is happening or, rather, there is evidence that it has not stopped happening. Any unilateral decision by the Federal Government regarding the dialogue's format is enough to hinder and delay discussion of the topics that are most directly related to the political solution that could serve as an alternative to armed conflict. While stumbling blocks are hindering the initiation of a dialogue in San Cristobal de las Casas, and excuses are being invented to undermine the contents and meaning of the democracy and justice issue, military pressure is building in many ways in communities in various Chiapas municipalities.

Overflights by airplanes during the night and by helicopters during the day; military convoys that mobilize every day, slowly and disturbingly crossing Indian community territory with visible weapons and video cameras, and with the vehicles' identification numbers covered with mud; preparations to establish more military camps very near to where civilians live; incursions by troops and their installation in small communities; unexpected visits by salesmen and distributors of unnecessary merchandise; the infiltration of "elements" from the Office of the Attorney General disguised as priests, nuns, journalists, or foreign benefactors. These and many other "incidents" or "normal movements" by federal forces describe life in those areas. The situation is a far cry from the detente that should coexist with dialogue to lend credibility to the Federal Government's proposals of conciliation and peace.

Withir this context, we should not underestimate the announcement by U.S. Defense Secretary William Perry regarding joint maneuvers by sea and land over the next 12 months (LA JORNADA, 17/03/96), and subsequent statements by Mexican officials who attempted at first to deny and later to explain the terms of military cooperation between the United States and Mexico. The information advanced by the Pentagon chief on 16 March was preceded by reciprocal visits from October 1995 between the people in charge of both countries' defense, but the announcement was preceded by reports regarding the growing importance of drug trafficking in Mexican territory.

Unfortunately, as it often happens in these cases, a statement from abroad regarding matters that should be exclusively domestic, is followed by the Mexican Government's confirmation after it had attempted to deny the information. The day after it announced its cooperation for joint military and naval maneuvers between U.S. and Mexican troops, the U.S. defense secretary announced that "a meeting in Washington with Mexican Defense Secretary Enrique Cervantes Aguirre" had been scheduled "for the first week of April" (18/03/96). This information had not been disclosed in Mexico and was confirmed two days later during a hallway interview by the assistant secretary of bilateral

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affairs at the Mexican Foreign Relations Secretariat, who also disclosed that the Sedena [National Defense Secretariat] secretary will "talk with representatives from the U.S. Armed Forces about the progress made through military cooperation in the struggle against drug trafficking" (20/03/96). The publicly stated purpose of the Mexican defense secretary's upcoming trip to the United States brings to mind that not long ago restricted information from the Office of the Attorney General was spread. According to this information, "Chiapas is Mexico's port of entry for cocaine from Bolivia, Peru, Ecuador, and Colombia" (EL FINANCIERO, 04/02/96). I have reason to believe that the information sector has been undergoing preparations to justify the U.S. Army's participation, as is done in other Latin American countries, under the pretext of helping the country in question's national Army combat drug trafficking... and other problems.

Without the betrayal of 9 February 1995, without the government's use of lies as its information policy, thanks to which it contradicts itself daily, and, especially, without the constant surrender of national sovereignty in strategic areas for the Mexican people, the aforementioned facts and statements would lead us to believe that the Mexican Government, far from seeking a political solution through dialogue in Chiapas, has not given up on a military "solution" to end the problems from which the country is suffering, and that with this "solution" it will receive help from the U.S. Government as it has in other areas of national affairs.

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Guatemala

Guatemala: Army Views Reports on Murder of U.S. Citizen

PA2803034596 Guatemala City Trecevision in Spanish 0100 GMT 26 Mar 96

[From the "Telepress Newscast"]

[FBIS Translated Text] Colonel Guillermo Caal Davila, chief of the Information and Press Department of the Army, has mentioned the murder of U.S. hotelier Michael Devine in Poptun, Peten, in 1990 and has responded to reporters who have asked about media reports that have linked military officers to the crime:

[Begin recording] [Caal Davila] We see that the document that has appeared in the foreign and domestic media, except for the daily SIGLO VEINTIUNO, which reports from U.S. Embassy sources, was obtained from an anonymous source. Thus, the embassy would have to indicate where it obtained the document. The Army has not officially presented any document to the U.S. Embassy. What we do know, I repeat, is that an anonymous source has made several accusations. We believe the media are referring to this anonymous source, and thus we will not make statements on such charges.

Our position is that if the U.S. Embassy has received the document, it must state whether the source was anonymous, whether this testimony is official and, as the newspaper has asserted, whether it has been sent to the United States. Apart from this, we do not have any more information.

[Unidentified reporter] A U.S. commission has come to investigate the case. Has it requested information from you?

[Caal Davila] I did not hear the question.

[Reporter] Have U.S. officials or embassy officials requested information from you?

[Caal Davila] Up to now.... [pauses] As you know, a great deal of propaganda has been made in the United States about the situation surrounding Mrs. Harbury. It is public knowledge that her lawyer and her home were allegedly attacked a few months ago. At that time, we asked that the events be investigated in the country where they occurred, but we have not received any information yet about them.

We believe that all this is publicity and that it harms not only the institution but Guatemala as well. This is our position on the matter. [end recording]

Nicaragua

Nicaragua: Visit by U.S. Commerce Secretary Viewed

PA2803042496 Managua LA PRENSA in Spanish 25 Mar 96 p 14

[Editorial: "International Commerce Without Hindrances"]

[FBIS Translated Text] For a U.S. secretary of commerce to visit our country for two days, he must be carrying something important in his luggage. Ronald Brown's trip, undoubtedly, had two objectives: One regional, the other local. The first was to point out the importance the United States attaches to a free trade system among the countries of this hemisphere (FTAA) [Free Trade Area of the Americas], and the second was to insist that we resolve the matter of the properties confiscated from his fellow citizens by returning the properties or compensating their worth.

Regarding the first objective, his visit is part of the emphasis the Clinton administration is putting on the Cartagena summit so that it will reach practical conclusions on economic integration, where private initiative would play a major role, looking toward 2005.

The philosophy of the U.S. political agenda is that that country needs to accelerate exports if it wants to be prepared for the imminent, high competition going on worldwide. Because it knows foreign aid will drop, it is seeking to cooperate in making these countries less dependent, using the instrument of commercial exchange and foreign investments without hindrances in order to achieve that design. In that regard, it believes no other region is more attractive in this field than Latin America. The condition is that those countries implement orderly economies that have their doors open to international trade where the dollar circulates freely and where the local currency is convertible to purchase dollars.

The policy of lifting barriers within the hemisphere undoubtedly already began with the signing of NAFTA by Canada, the United States, and Mexico, with Chile following suit shortly. Within this purview, lining up the rest of the countries of the hemisphere, specifically the Central American countries, is essential to begin heating up the engines in that direction.

These preconditions explain the contradiction of the Nicaraguan Central Bank's economic policy to which economist Mario de Franco has referred. The economist has said that while foreign exchange in dollars is made available to exporters to send a message about the alleged health of the economy, money in circulation is

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diminished so that inflation does not shoot up and reveal the great structural weakness of the country's economy.

What is sought with this incongruence is to guarantee one of the elements of the envisioned free commerce; that is, the availability of foreign currency to import goods.

Viewing that opening of the market as inexorable, we concur that it will bring advantages to consumers who will be able to choose items of a better quality, technology, safety, and low costs. All of us who go to the supermarket find U.S. products that are more convenient despite the custom duties. And for those who believe such a drop in protection will bring unemployment to the local industry, they should know that the INSS [Nicaraguan Institute of Social Security and Welfare] has barely 3,500 people registered as industrial workers.

In the face of that plan, of course, our obsolete industries will request a long period of adjustment until they get rid of their old installations and become more competitive. The truth is that they have already enjoyed for a long time the privilege of custom protection, and it is time for competition to begin in earnest.

The outlook of a Nicaragua that is a high consumer of U.S. custom-free imports does not wholly resolve the problem. Our strategic challenge is to export and to increase investment and jobs. What can we send abroad, however, other than farm products, and how can we promote investment in the countryside where there are so many cattle rustlers, land invaders, courts that do not function, and a police force that stands by idly? With what are we going to purchase items no matter how cheap and modern they may be?

It is not a matter of opening our doors wide and leaving the quality of local industry unsupervised. This leads us to conclude that some kind of state action will be required now if we want to be right.

Panama

Panama: Official Views U.S. Troops' Role in War on Drugs

PA2803025096 Panama City LA ESTRELLA DE PANAMA in Spanish 27 Mar 96 p 2A

[Report by Rogelio Antonio Cordova]

[FBIS Translated Text] The countries of the Inter-American system should decide collectively if drug trafficking should be fought by U.S. troops stationed in Panama.

Carlos Sosa Coello, chairman of the Central American Standing Committee For the Eradication of Production, Traffic, and Use of Illicit Narcotics and Psychotropic Substances and Related Offenses [Comision Centroamericana Permanente para la Erradicacion de la Produccion, Trafico, Consumo y Uso Ilicito de Estupefacientes y Sustancias Psicotropicas y Delitos Connexos], made that statement.

He stressed the actions the United States plans to carry out in Central America, South America and the Caribbean cannot be subject to political manipulation.

He added that they "must not lead to noncompliance of pacts, agreements, and treaties signed before this problem."

The chairman of this international organization to fight and prevent drugs voiced his satisfaction over the decision by the Panamanian Government not to offer its territory to the United States "for a base of operations against the illegal drug trade."

Sosa Coello made those remarks following the start in a Panama City hotel of the second subregional workshop on "Legislative Coordination on the Matter of Money Laundering Offenses Related to the Illicit Drug Trade and Related Offenses in the Central American Isthmus."

The event that will end tomorrow was organized by the Regional Center for Legal Development and Cooperation in Central America on the Matter of Controlling Drug Production and Trafficking [Centro Regional para el Desarrollo y la Cooperacion Juridica en America Central en Materia de Control de la Produccion y Trafico de Drogas — Cedeju], the Attorney General's Office,and the Legislative Assembly.

Panama: Economic Impact of U.S. Bases Reversion Viewed

PA2703175296 Panama City EL PANAMA AMERICA in Spanish 27 Mar 96 p 6A

[Editorial. "Economic Impact of the Bases"]

[FBIS Translated Text] The report on the economic impact that the reversion of U.S. bases is expected to have on Panama will be presented tomorrow. The report is being prepared by local economists Jose Galan and Marcos Fernandez.

Some of the report's results have already been disclosed, and it is said that the report merely confirms previous predictions.

Generally speaking, the bases contribute no less than 300 million balboas annually to salaries, purchases, suppliers, and services. Their work force includes approximately 8,000 soldiers, 2,000 U.S. civilians, and 5,000 Panamanian civilians, all of them with high salaries.

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Many of the North American civilians and soldiers rent apartments in Panama City and every weekend they invade our hotels and recreation centers, and visit beaches or other corners of the country. Many of them purchase their vehicles, personal household equipment, and food in Panama, outside of the bases. The indirect economic impact is enormous.

It is true that they occupy over 3,000 buildings and twenties of thousands [as published] of acres, but our experience with reversions shows that as long as we are unprepared to better use the installations, it is preferable for the [U.S. troops] to continue occupying and maintaining them.

This entire picture will change in the year 2000 when, according to the canal treaties, the bases will be closed and a mountain of canal properties will fall completely under our control.

The report plays down the impact of the bases' reversion on the country's overall gross production. It takes an optimistic view of what the economy will be at that time, and it concludes, therefore, that we will be in better shape to take the blow. The report rejects the notion that its predictions are overly positive, even though at that time the effects of the economic reforms introduced by the current government will still be somewhat new.

The report suggests that it will be to Panama's advantage to use the vacated installations and lands, currently used by the U.S. troops, for civilian purposes. And the report is right, assuming that we can obtain sufficient civilian investments to fill the void. From what I can see, however, this will not be easy, and the worst thing would be for those installations to go unused.

Most of the installations and infrastructure are obsolete and inadequate for civilian use, including highways, drainage, communications and power lines, and public services in general. This is explained by the fact that both the installations and infrastructure were conceived strictly for military purposes and are quite different because of their strategic vulnerability, among other reasons. To reconvert them for civilian use would be costly.

However, it is to our advantage to make up our minds to deal from now on with this difficult task because, at any rate, the military is leaving and in the best scenario may remain as a small presence, providing us with little or no help to relieve the burden of the enormous challenge.

Panama: Auditing Firm Reports on Banaico Situation

PA2703193696 Panama City LA PRENSA in Spanish 26 Mar 96 p 1

[From the "Editor's Desk"]

[FBIS Translated Text] The report on the audit that the "Young & Young" auditing firm conducted on Banaico [Agro-Industrial and Commercial Bank of Panama, Inc.] paints a picture of a devastated banking institution. Two-thirds of the bank's loan portfolio is "doubtful" or "uncollectible," and massive but secret withdrawals were made on the days prior to the intervention by people who had privileged information, as well as preferential and anonymous access to its funds. The audit report was presented to the National Banking Commission (CBN) on 20 March and was obtained by LA PRENSA yesterday.

The "Young & Young" audit report is written in language used by accountants and auditors: Soporific but precise and well-organized. In contrast, its assessment of "the solvency of Banaico's assets...specifically in the areas of cash and unpaid loans," is much more dramatic and is hardly sleep-inducing, particularly for "account holders."

- Loans: Banaico had $88,405,601 in loans at the moment of intervention. "Young & Young's" assessment of the loan portfolio situation on 31 January 1996 shows the following:

- A total of 53.74 percent of Banaico's loans, $47,510,563, was granted as overdrafts. Conversely, 37.98 percent of its loans, $33,579,500, are commercial loans.

Personal, mortgage, farm, and industrial loans amounted to a mere 8 percent of the total. This 8 percent, however, was divided among 292 clients — 44.8 percent of the total amount of borrowers. Thus, approximately half of the borrowers received 92 percent of the credit and the other half received 8 percent.

The Banaico board of directors' apparent trust in the first group is the reason why most of them received loans under the risky bank practice of granting overdraft rights.

The auditors managed to review 70.7 percent of the loan portfolio. This means that they audited $62.5 million out of the approximately $88.5 million in loans granted by Banaico. The loans were divided into four categories: regular, irregular, doubtful, and uncollectible.

The classification gave the following results:

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— Seventy-four percent of the loans examined were classified as "doubtful" or "uncollectible;" 34.8 percent were "doubtful"; and 39.2 percent "uncollectible."

— Only 19.7 percent of the loans reviewed were considered to be "regular" and 6.3 percent were termed "irregular." The majority of "doubtful" and "uncollectible" loans were granted as overdrafts, a practice that has traditionally been considered risky for banks. In Banaico's case, however, such loans were predominant.

The auditor's report is particularly cautious but very eloquent when it refers to hasty withdrawals made days prior to the collapse of Banaico and its subsequent intervention.

The "Young & Young" report disclosed: "We observed that on 23 January 1996", one day prior to the intervention, "a large amount of those operations were performed." The report was referring to "loans guaranteed by deposits." Apparently, this was just a way to cover up withdrawals of money because — as the auditors' report revealed — "in most of these loans, the name of the account holder did not match that of the borrower."

In an effort to clarify the matter, the auditors contacted Banaico's executive officials but with little result. The auditors asserted: "We met with Mrs. Maritza Mattadem, a Banaico officer, who told us that she could only establish a link between a few of those loans and the individual account holders because she does not know all of the bank's clients." The auditors reported that during their review, they found $2,250,756 in "deposits that were backing loans for a corresponding amount."

The report ends with a very revealing paragraph. During the brief period reviewed by the auditors, "an additional $3,200,000 was paid out for time deposits that had not yet matured."

Who were the people who managed to get their money out at the last minute while hundreds of other account holders dealt with unanswered telephone calls or received a no for an answer?

LA PRENSA has received information from reliable sources that a CBN member is among those who managed to withdraw their funds hours prior to the bank's intervention. However, the organizations and individuals who have had access to Banaico following its collapse have carefully concealed the identity of those who withdrew their funds with undue advantage over other depositors, as well as the name of Banaico's top borrowers.

Argentina

Argentina: Antiterrorism Agreement Signed With Israel

PY2803003896 Buenos Aires TELAM in Spanish 1949 GMT 27 Mar 96

[FBIS Translated Text] Jerusalem, 27 Mar (TELAM-SNI) — Argentine Interior Minister Carlos Corach and Israeli Foreign Minister Ehud Barak today in this city signed a bilateral cooperation agreement on to the fight against, crime, terrorism, and drug trafficking.

It was reported this afternoon that the agreement strengthens cooperation in the fight against drug trafficking and criminal activities in general.

The report indicates that Corach will meet with Israeli Interior Minister Haim Ramon during the last day of the Argentine minister's visit to Israel.

On 28 March, Corach will sign a cooperation and transfer of technology agreement in the field of security with Israeli Deputy Defense Minister Ori Or.

Argentina: Menem, Israel's Peres Have 'Cordial' Talks

PY2803032496 Buenos Aires TELAM in Spanish 2308 GMT 27 Mar 96

[FBIS Translated Text] Buenos Aires, 27 Mar (TELAM) — President Carlos Menem today highlighted the fact that his participation in seeking a rapprochement between Israel and Palestine is "an Argentine contribution" to the Middle East peace process.

In a chat with journalists at Government House after his telephone conversation with Israeli Prime Minister Shim'on Peres, Menem also confirmed that Peres had officially invited him to visit Israel.

"It was a very cordial and fairly extensive conversation in which I referred to the difficult situation that the Palestinians are experiencing due to the closure of the border posts that was ordered by Israel to put an end to this long series of terrorist attacks that have cost so many lives," Menem said.

The head of state announced that Peres had invited him to visit Israel and that he believes the visit can be made after the 29 May 1996 elections that are to be held in that country.

"As soon as the interior minister [Carlos Corach] returns, we will talk with (Yasir) 'Arafat to inform him of this dialogue," Menem added, and he said that "this is Argentina's contribution to realizing the possibility of peace in that region."

Menem described his effort with regard to Israel and Palestine as "that of a well-intentioned person asked by the head of the Palestinian National Authority to talk with the Israeli prime minister in an attempt to overcome the situation that is being experienced in that red-hot Middle East region."

He indicated that Interior Minister Carlos Corach was present during his conversation with Peres; "in other words, he participated in this dialogue to a certain extent, and he was charged with reporting the results of the conversation to the media."

He maintained that he had asked Peres "about the possibility of making more flexible the harsh measure (the closure of the borders) that he had adopted, to enable the Palestinian people to receive more food because they are experiencing hunger."

Menem stated that the situation is affecting "the nearly 100,000 Palestinians who work in Israel."

The president maintained that "Peres told me there will be absolutely no problems regarding the food, medicines, and all the articles the Palestinians need to overcome their situation."

"Regarding the topic of the Palestinian workers who cannot cross over into Israel due to the closure of the borders, they will try to loosen the border controls as of today," he added.

He acknowledged that "there is the fear attacks will be repeated, and of course I share that concern held by the Israeli prime minister." He added that Peres had told him "a fund of $100 million has practically already been created."

He pointed out that this money will be sent "to the Palestinian National Authority so that it can begin a series of public works that will also allow it to use the manpower that is currently idle."

During the telephone conversation, Peres told Menem that Yasir 'Arafat "had arrived at the conclusion that the terrorist organizations used Palestine as a base for some of the attacks that were carried out in Israel, and that for some days now he has been taking severe measures to eliminate them."

Answering a question, he stressed that every effort tends to consolidate the peace in that region, but he acknowledged that "when situations emerge such as those experienced recently, we have obstacles we must try to overcome as quickly as possible."

Asked whether being a valid spokesman means he is a mediator, Menem replied: "Taking into account the

meaning of that word, I would not say that it is a question of mediation."

Menem said that "it is simply a question of a well-intentioned person asked by the head of the Palestinian National Authority to speak with the Israeli prime minister in an effort to overcome the situation that is being experienced in the red-hot region of the Middle East."

This notwithstanding, and addressing the journalists, Menem told them: "On the basis of the knowledge you have obtained, it is up to you to say in what capacity I am operating. I do not want to refer to this topic because the first thing I would receive is criticism."

Menem did not reject the fact that this function could include a consultation with U.S. President Bill Clinton, and he recalled that "a few days ago there was a conversation on this precise topic with the U.S. secretary of the Treasury."

"I asked him to explain 'Arafat's concern to President Clinton. It is now quite certain that 'Arafat will personally talk with Clinton, but I had already transmitted this concern on the part of the Palestinian National Authority to the U.S. President," he said.

He recalled that deceased former Israeli Prime Minister Yitzhaq Rabin "had requested that I, being of Syrian descent, intercede with the Syrian president regarding a topic to which we had already referred after the meeting in New York; in other words, the Middle East leaders know about the friendship that I have with all of them."

Concluding, the president insisted on indicating that "I am doing this in the name of Argentina, not in the name of Carlos Menem."

Argentina: Camilion, Brazil's Sardenberg on Defense Issues

PY2803011996 Rio de Janeiro JORNAL DO BRASIL in Portuguese 25 Mar 96 p 4

[FBIS Translated Text] Buenos Aires — Argentine Defense Minister Oscar Camilion and Brazilian Strategic Affairs Secretary Ronaldo Sardenberg this weekend discussed the joint construction of a satellite and an agreement concerning the deployment of peacekeeping forces. These defense topics, as well as nuclear cooperation, will be discussed here during President Fernando Henrique Cardoso's official visit on 8 April.

Camilion said: "We may establish joint defense measures among Mercosur [Common Market of the South] member countries." Sardenberg noted, however, that the Brazilian administration is not planning to submit to Congress a proposal to create a defense ministry. Brazil is one of the few countries in the world without one.

Camilion reviewed the security policies of both countries over the past 30 years and noted that Brazil has just started to take part in peacekeeping missions. The issue of civilian and government control over the Armed Forces, as well as the Armed Forces' role in fighting the drug trade, were discussed during recent meetings of defense ministers, like the one that gathered ministers from 34 OAS member countries in Williamsburg, Virginia, U.S.A., in 1995. The next meeting of OAS defense ministers is scheduled for October in Bariloche, Argentina.

Argentina: Current Economic, Government Policy Upheld

PY2603195596 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1553 GMT 25 Mar 96

[FBIS Translated Text] Buenos Aires, 25 Mar (NA) — President Carlos Menem stated today that Argentina "is a trustworthy country which, free from inflation, is witnessing growth and which offers investment possibilities. The head of state asserted that his policy constitutes an "absolutely rational" path "from an economic, political, and social standpoint."

Menem delivered a speech today at the opening session of the 37th annual meeting of the Inter-American Development Bank, IDB, governors, which is currently being held in Buenos Aires.

The chief executive declared that over the last seven years, his administration "has never been inspired by opportunism or shaped by the business cycle." Menem went on to say that he has embarked "on the correct path," adding that "by following this path, we will complete the task of routing inflation, realizing the reform of the state, and boosting domestic saving."

At the end of his address, Menem made some off-the-cuff remarks criticizing those who claim that "we should return to the Peronist era." The president said that his administration, a Justicialist one, "is the one that has effected major changes and is perfecting the tools to consolidate this transformation."

The head of state asserted that the Justicialist Party, which has 5 million card-carrying members, is the one that has the largest number of affiliate members in the world." He declared that "he will go ahead keeping abreast of things; for there can be no turning back since that would be tantamount to a retrogression."

In thanking Economy Minister Domingo Cavallo for his address and pointing out that the convertibility plan "is,

and will continue to be, the essence" of the economic model, Menem wholeheartedly supported the economic policy pursued by his economy minister.

Menem emphasized that "through their votes," the citizens have frequently "supported transformation, productivity, and integration into the world."

Speaking before bankers, entrepreneurs, and representatives from investment companies from the entire world, the president emphasized that, "even though it reflects a worldwide situation, which does not mitigate our anguish over this scourge," the unemployment "rate" in Argentina "is worrisome."

Menem noted that the way of defeating unemployment "is complicated," but "the basis for a definitive solution to this problem lies in an orderly economy."

Menem announced that his government would support small and medium-sized enterprises as international experience indicates that they "create considerable employment."

The president asked Argentine bankers for "reasonable interest rates and credit terms."

Menem said: "It is not possible to continue to have 20-percent lending interest rates when the inflation rate is less than 1 percent per year."

Menem also criticized the banks that are using old-fashioned concepts when assessing the guarantees that they are requiring from their borrowers. He asked the Argentine financial system "to complete its transformation, adding the opportunities created by the convertibility program into their economic assessments."

The president asked banking institutions to stimulate savings, following the example of the Spanish savings associations, and promote loans for the people as practiced in the United States.

The president emphasized the establishment of the Mercosur [Common Market of the South] customs union. He pointed out: "This represents a new type of culture from the perspective of coexistence."

Menem said Mercosur would become a "definitive mechanism" for jointly struggling against the scourges of terrorism, drug, and crime.

With regard to the struggle against poverty, Menem emphasized: "There is no contention between economic and social aspects." He underscored his belief that the market economy "represents social development's best support for struggling against this scourge."

Menem emphasized that inflation has affected the poorest Argentines. He said our country's poorest inhabitants "can bear witness to their improved purchasing power through stability and growth."

The president added: "Argentines know very well that inflation and disorder are the worst enemies of well-being."

Menem said problems are not solved with "magic and demagogic medicines." He criticized those proposing "instant" solutions "to reduce social problems as these solutions would surely achieve the opposite effect."

The president said huge financial resources are required to achieve "equitable goals." He asked the IDB to approve new loans for Argentina.

Menem ultimately said it is necessary to reduce "the gaps in Latin America's socioeconomic levels for Latin Americans to have equal chances for personal and social development."

Argentina: Official on White Helmets Mission in Gaza

PY2703020596 Buenos Aires TELAM in Spanish 1751 GMT 26 Mar 96

[FBIS Translated Text] Buenos Aires, 26 Mar (TELAM) — Alberto Kohan, the secretary general of the presidency, today confirmed that Argentine White Helmets would join a mission scheduled for the Gaza Strip, a territory controlled by the Palestinian National Authority [PNA].

Kohan explained that "we envisage that the (Argentine White Helmets) will have an active participation in the Gaza Strip once the groundwork has been fully prepared" for such a mission.

The secretary general of the presidency made these remarks following a meeting between President Carlos Menem and George Soros, a businessman of Hungarian origin, at the Olivos presidential residence.

There, Kohan stated that the White Helmets will leave for the Middle East "once the United Nations prepares all the elements" for the mission to become a reality.

In reply to a question about the possibility that Menem will decide to mediate in the conflict between Israel and Palestine, the secretary general of the presidency pointed out that "the parties have for a long time been asking for advice and about the possibility of a mediation."

Kohan made it clear that "a mediation does not mean solely to intervene in a concrete matter, but rather to be permanently involved so that peace and well-being may become a reality in that area." He noted that "we will continue working for what the president deems is important; namely, for peace" in the Middle East.

Kohan added that the mediation initiatives displayed by the Menem administration "do not originate from a single request, but rather are the expression of a conviction that the cause of peace should be furthered, something which President Menem has been professing since he acceded to the presidency in 1989."

The secretary general of the presidency further stated that "in no circumstances is the Foreign Ministry" excluded from the steps taken to mediate between Israel and the PNA, since it is precisely this ministry that is empowered to "deal with international affairs."

Argentina: Loans Signed To Strengthen Small Enterprises

PY2703020096 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1827 GMT 26 Mar 96

[FBIS Translated Text] Buenos Aires, 26 Mar (NA) — Economy Minister Domingo Cavallo and IDB President Enrique Iglesias today signed loans for Argentina amounting to $125 million that will be used to strengthen the reciprocal guarantee mutual organizations of the Pymes [Small and Medium Sized Enterprises], and to enable Mendoza, Rio Negro, and Neuquen Provinces to obtain agricultural technology.

Cavallo and Iglesias also signed a non-returnable loan amounting to $610,000 to help Argentina create an institution that will enable the Pymes to obtain credit.

Argentina: Menem Middle East Role 'Must Not Be Played Up'

PY2703031696 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2112 GMT 26 Mar 96

[FBIS Translated Text] Buenos Aires, 26 Mar (NA) — Ruben Beraja, president of the DAIA [Delegation of Argentine-Israeli Associations], today stressed that "the role" President Carlos Menem could play in the Middle East peace negotiations "must not be played up" because the mediation in that area is being carried out "through an international front that has the United States as its pivot."

Beraja believes that the request made by Yasir 'Arafat, president of the Palestinian National Authority, for Menem to participate in the dialogue with Israel "has to do with a strategy such that Argentina can be active on that front."

The head of the DAIA believes that "there is no possibility" the Argentine president will adopt "a very high profile" within the framework of the peace talks because "it is the United States that is the pivot of the negotiations."

Beraja said that "in light of the meeting that was held some days ago, where a commitment was made by the heads of state of several countries to form an international front in favor of peace, I believe that 'Arafat is proposing that Argentina become more actively involved."

In remarks to a radio station, he indicated that this is why "the role of the Argentine Government must not be played up" because "we would be deluding ourselves."

Beraja expressed doubt that the word "mediation" is the correct word for the eventual participation of Menem when he said that "direct channels of relations are open" between Israel and Palestine.

He stated that at any rate, "we must wait and see how the president defines the situation," and he expressed the belief that the dialogue with 'Arafat and with Shim'on Peres "could be a rapprochement, a first contact."

"I believe it is positive that our country, which has always adopted a position in favor of peace, should also have a role in such a hot spot, an area in which the world as a whole is interested," he added.

Beraja supports Argentina's participation in the international front that supports peace in the Middle East, and he rejected the possibility that the government's active participation in the process will cause concern.

"A country cannot determine its foreign policy on the basis of what sectors that are linked to terrorism want to impose," he said, and he added that "in light of all the attacks, the peace process has been battered somewhat, and there is pressure on both sides."

He referred to the DAIA's initiative urging that Menem receive the Rabin Award for Peace, and he said that it would "be beneficial for everyone, for the relatives, who are in great pain, although they did not ask for it, and for the president, who continuously expresses his anguish, his feeling of debt in this matter."

Beraja did not want to give an opinion as to whether Menem "merits" the award, although he did say that "there has been much talk about the possibility of the award being given, and this has not been very opportune."

"This granting of awards to personalities should be more spontaneous, and if it has been actively pursued, it must not appear as a request. One must be careful because the dignity and prestige of the president are involved," he stressed.

Argentina: German Minister To Discuss Agricultural Sector

PY2703021196 Buenos Aires TELAM in Spanish 2128 GMT 26 Mar 96

[FBIS Translated Text] Buenos Aires, 26 Mar (TELAM) — Jochen Borchert, German food, agriculture, and forestry minister, arrived in Argentina today to discuss matters pertaining to the Argentine agricultural sector and its progress in the export sector.

Germany Embassy sources said the minister will learn about and compare the basic conditions under which food is produced, and the availability of raw materials in Argentina and the EU.

During his stay, which will last until 30 March, Borchert will meet with Economy Minister Domingo Cavallo and with Felipe Sola, agriculture, fisheries, and food secretary.

The German minister will also meet with Enrique Crotto, president of the Argentine Rural Society, and will visit several agricultural production centers in Patagonia, where topics pertaining to the forestry sector will be discussed.

A German Embassy communique states that world and bilateral trade in agricultural products will be one of the most important topics that Borchert will discuss with Argentine officials.

The German minister will also learn about Argentina's integration within Mercosur [Common Market of the South] because he believes agricultural bilateral trade will play an important role within the framework of the customs union.

Within Argentina's global trade Germany is the third most important country after the United States and Brazil. The balance shows a high surplus in favor of Argentina.

Meat and its by-products are Germany's most important purchases from Argentina, although it also purchases oleaginous products, as well as by-products and fruit.

Argentina: Defense Minister, Pentagon Officials Meet

PY2703182896 Buenos Aires TELAM in Spanish 2248 GMT 26 Mar 96

[FBIS Translated Text] Buenos Aires, 26 Mar (TELAM) — Defense Minister Oscar Camilion and Pentagon officials visiting Argentina today jointly reviewed the possibility of purchasing U.S. arms at preferential prices [precios preferenciales].

Camilion pointed out: "We are very interested in gaining access to U.S. equipment at preferential prices, which involves changing U.S. laws that have to include — among other countries — Argentina."

Camilion this afternoon met U.S. State Department (Pentagon) officials to close the second session of the Argentine-U.S. Bilateral Commission on defense issues of common interest.

The minister met Walter Slocombe, Pentagon under secretary of defense for policy. At a downtown hotel, they presided over a ceremony to close the sessions on defense issues.

Camilion emphasized to TELAM that, during the talks, "we discussed the amendment of the U.S. foreign assistance law, which does not include Argentina among a very limited group of countries that receive arms that are virtually free."

The United States has lifted the Humphrey-Kennedy amendment that was implemented during the last de facto government in Argentina to limit arm sales to this country.

Nevertheless, there still are some limitations on Argentina purchasing some types of U.S. arms.

Camilion noted: "The fact that we participated in the Persian Gulf war represents a basic requirement, but is not enough to join that select group of countries."

During the Persian Gulf war, Argentina joined a multinational alliance, headed by the United States, which defeated Iraq. Argentina sent three warships to the conflict.

Nevertheless, Camilion announced: "During the 1996 U.S. Congress sessions, we will get them to change the law to include Argentina, as the talks are well advanced."

With regard to joint Argentine-U.S. Armed Forces operations, Camilion noted that this issue was reviewed during the meeting.

Camilion added that Argentina "will gain access to some codes with which NATO forces are operating."

Camilion explained that it will not be possible to gain access "to all codes." He admitted: "Other powers, such as the UK, could raise objections against many of these activities. They could even oppose the transfer of military materials."

For two days, about 40 Argentine and U.S. military officers and experts reviewed bilateral relations.

The visiting officers and experts became acquainted with the reorganization of the Argentine defense system

and discussed issues related to the upcoming meeting of defense ministers of the Americas that has been scheduled for October in San Carlos de Bariloche in Rio Negro Province.

During the sessions, five commissions were established: Military Cooperation, Security and Logistics Assistance, Peace Operations, Science and Technology, and Training of Civilians for Defense.

During the sessions, the establishment of a regional institute for training civilians for defense, doctrine and joint actions, and combined joint operations was also reviewed.

The working group will hold its third meeting next year in the capital of the United States.

Argentina: Menem Said 'Ideal Statesman' To Assist in Talks

PY2703142596 Buenos Aires TELAM in Spanish 1133 GMT 27 Mar 96

[FBIS Translated Text] Buenos Aires, 27 Mar (TELAM) — Interior Minister Carlos Corach today noted that Yasir 'Arafat, president of the Palestinian National Authority, has described President Carlos Menem as the ideal statesman for assisting in the Middle East peace process.

Corach pointed out: "President 'Arafat expressed that Menem's international prestige, knowledge, friendship with him and with Peres, and influence before Arab countries and the U.S. Government makes him the ideal statesman for assisting in the peace process."

Speaking over Radio America from Jerusalem, the minister noted that he will meet the Israeli prime minister and get him to talk with Menem over the telephone at 2000 (Israeli time), namely 1400 (Argentine time) today."

The interior minister added that, "in the first place," the Israeli Government will accept the Argentine president as mediator "over President Menem's enormous prestige in Israel."

Corach recounted that "on the occasion of marking the 50th UN anniversary in New York late (Israeli) Prime Minister (Yitzhaq) Rabin already made a petition similar" to the one 'Arafat made a few days ago.

The interior minister emphasized: "I really believe that the president is the man who, with his words and influence, can assist in furthering and enhancing the peace process."

The interior minister also underscored that, during his meeting with 'Arafat, the Palestinian leader used the word "assist" to describe his petition for Menem to intervene.

Corach said: "That was the word used: Assist. Not mediate, but assist in the difficult situation being experienced by the Middle East peace process, after the series of extremely serious suicidal terrorist attacks perpetrated in Israel, which, as a response, prompted the closing of borders."

The interior minister recounted that his "original mission here was to deliver Menem's message both to 'Arafat and Peres" and sign with the Israeli Government agreements on exchanging information related to the prevention of terrorism and the exchange of technology.

Corach added that we will sign similar agreements "with the Palestinian Authority as President 'Arafat has already told us that he wants to cooperate for definitively eradicating terrorism from the entire world."

Corach also reported that he received "a detailed report" from the Israeli police on the bombings of the Israeli Embassy and the AMIA [Argentine-Israeli Mutual Association] in Argentina. The report points out that "both bombings have definitely been perpetrated through car bombs driven by suicidal extremists."

Argentina: Minister Says 'Mad Cow' Disease Hurts Exports

PY2703174696 Buenos Aires TELAM in Spanish 1437 GMT 27 Mar 96

[FBIS Translated Text] Buenos Aires, 27 Mar (TELAM) — Felipe Sola, agriculture, fishing, and food secretary, today emphasized that the 'mad cow' syndrome is detrimental to Argentine exports to Europe, as beef consumption has been significantly reduced in that region.

At the end of a meeting with the Agriculture and Livestock Council at the Agriculture, Livestock, and Food Secretariat, Sola noted: "According to estimates projected by exporters, a 30-percent reduction in beef consumption in Europe occurred during the first week of the mad cow problem; this is a very difficult time for the beef area."

Argentina: Alleged U.S. Drug Enforcement Plea

PY2703194396 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1509 GMT 27 Mar 96

[FBIS Translated Text] Buenos Aires, 27 Mar (NA) — Defense Minister Oscar Camilion today flatly denied that the United States had proposed that Argentine military personnel become actively engaged in drug enforcement.

Camilion made this remark in response to a report alleging that Walter Slocombe, U.S. under secretary of defense for policy, who is visiting our country, had raised such a possibility.

The defense minister noted: "We did not raise this proposal here." "It became very clear that we have our own drug enforcement mechanism," involving the national border police, the Argentine coast guard, and the federal police, he said.

In remarks to a radio station, the minister indicated that the U.S. interest in promoting the involvement of military personnel is linked to other countries of our region that do not have specialized forces as Argentina has.

Camilion also underscored the "existence of legal standards," as the National Security law, banning the involvement of military personnel in domestic issues.

Nevertheless, the defense minister pointed out that, if required, the Armed Forces can supply logistic support to drug enforcement personnel, such as transportation or air traffic control through Air Force radars.

Concerning drug trafficking, Camilion ultimately emphasized: "As compared with other countries, our country does not represent a particularly serious problem."

Argentina: Country Said Free of 'Mad Cow' Syndrome

PY2803033896 Buenos Aires TELAM in Spanish 1848 GMT 27 Mar 96

[FBIS Translated Excerpt] Buenos Aires, 27 Mar (TELAM) — Felipe Sola, agriculture, [fisheries and food] secretary, announced today the initiation of a campaign particularly targeted at Germany to explain that the "mad cow" syndrome [bovine spongiform encephalopathy] is not prevalent in Argentina.

Following a meeting with representatives of the Agricultural Council, Sola stated: "We are facing an emergency due to the massive outbreak of the disease in Britain.

The agriculture secretary alerted: "We are compelled to launch a campaign, which is especially targeted at Germany, to explain to that nation that our country is free of the disease." [passage omitted]

The decision to launch an information campaign was made with the acquiescence of Argentine Rural Association President Enrique Crotto; Argentine Rural Confederation President Manuel Cabanellas; Valentin Levisman, Coninagro [Agriculture-Livestock Inter-Cooperative Federation] president; and Argentine Agrarian Federation Treasurer Daniel Boo.

The participants in the meeting, which was held at the Gray Hall of the Agriculture Secretariat headquarters, were of one mind about the idea of setting into motion a "joint campaign."

This campaign will be undertaken by the state, producers, and meat-packing plants.

Sola underscored the decline in beef consumption in Europe, which, according to beef exporters, was cut by 30 percent during the first week [following the outbreak of the disease]. He acknowledged that this decrease "adversely affects Argentine exporters."

Nevertheless, the official was optimistic about a "pick up of Argentine beef exports in the medium term," since there is "no previous record of the existence of the mad cow syndrome in Argentina."

Sola declared: "We are facing a tragedy in the world of beef and we have already sent telegrams to Mercosur [Common Market of the South] member countries, Australia, New Zealand, Canada, and the United States requesting input from ministers as to how to tackle this problem." [passage omitted]

Argentina: Menem-Cavallo Quarrel Analyzed

96SM0166A Buenos Aires CLARIN in Spanish 17 Mar 96

["Political Panorama" Column by Eduardo van der Kooy: "Too Close to the Edge"]

[FBIS Translated Text] The economic situation is making the renewed squabbling between Carlos Menem and Domingo Cavallo more serious. There is a lack of logic to the minister's behavior: he promises not to cause confrontations but then shoots off his mouth at the first slip-up or provocation. Menem's behavior is dangerously cold. Outside pressure stemmed the crisis once again.

No one can remember Carlos Menem and Domingo Cavallo ever getting angry at each other in public over the past few years the way they did on Thursday during an expanded meeting of the cabinet.

There is no record that a purported Cavallo resignation obliged his own press spokesman to issue a denial. The word "resignation" is not in the Economy Ministry's dictionary. And never has Cavallo made as dramatic a confession as his staff heard from him last Wednesday: "I know that I do not have the support that I used to have from the president," he remarked.

Such episodes by themselves lay bare "perhaps more than other considerations" the degree to which the bond between the president and his top minister seems to

have frayed. These two are among the individuals most responsible for the benefits that accrued to Argentina from the years of economic and political stability. They are also largely to blame for the worsening social conditions and the degree of institutional decline from which the country is suffering. The two have a history of feuds and squabbles, but none of them were seemingly as significant as the latest one. There was the famous incident in La Rioja in 1994 when the minister stormed out after arguing with Carlos Ruckauf and was brought back to the cabinet via the steps of the aircraft. Cavallo almost had one foot outside the government in mid-August of last year after he leveled charges at businessman Alfredo Yabran and took Front members Chacho Alvarez and Graciela Fernandez Meijide as allies. The relationship turned sour again in October when the minister's absence tarnished the president's visit to the United States. The chain then broke at its weakest link, as the media secretary, Guillermo Seita, a former official with links to Cavallo, was sacked.

In none of these cases, however, was there a direct confrontation between the president and his minister. On Thursday, however, they stood face to face, and no one failed to grasp the meaning of the words with which Menem closed the cabinet meeting: "I do not want any more arguments. I give the political orders, and they have to be obeyed. I have the authority that the ballot box has given me. Whoever does not agree can leave," he emphasized. He then made one final cutting remark so that no one would miss his drift. Turning to Cavallo, he asked: "Do you have anything to say, Mr. Minister?" There followed a long and awkward silence. Many immediately assumed that the consequences could be serious.

There were several false calls for an emergency cabinet meeting, and the traditional rumblings about hypothetical replacements started up. One new name began to be mentioned, alongside the usual ones that come up during a crisis in the administration (Roberto Alemann, Javier Gonzalez Fraga, and Guillermo Calvo). There was repeated talk of Carlos Rodriguez, the president of CEMA (Center of Argentine Macroeconomic Studies), an economist who has very close ties to Ricardo Lopez Murphy of the UCR [Radical Civic Union]. Actual developments began to proceed along different paths, however. The markets started reflecting the effects of the squabble, "effects that lasted until the close on Friday," and several of the bankers who will be attending the IDB [Inter-American Development Bank] meeting took an interest in the fate of the political duo; this was all that was needed for the two sides to try and cool things down. Although he too became a bone of contention during the cabinet meeting, Eduardo Bauza very quickly brought up two points: "If Cavallo leaves amid scandal, it would worsen the government's situation. In that event, repairing the damage would be more complicated owing to the persistent economic recession."

The cabinet chief has smooth lines of communication with some, but not all of the minister's staff. He prefers the simplicity of Ricardo Gutierrez or the conciliatory tone of Juan Jose Llach to the emphatic, calculated message of Horacio Liendo. These contacts bore some fruit. That same Thursday evening Cavallo made a TV appearance and reaffirmed that "the only leadership that people have" is that of Menem. Bauza followed this up on Friday with some unconvincing remarks: "Everything is fine. There are no battles inside the administration," he claimed. The minister sought to remove the true backdrop to this exhausting feud: his relations with the president. He was only half successful. The decision to relieve Hugo Gaggero, who is also linked to the Banco de la Nacion-IBM case, of his post at the DGI [General Directorate of Taxation] and to replace him with Carlos Sanchez was designed to prevent a repeat of an ominous episode for the minister. This one happened when Menem sacked the postmaster general, Haroldo Grisanti. But Cavallo then immediately started feuding with Bauza and Carlos Corach, "besides Menem," they being two of the president's chief political operators. We should always bear the following in mind: they were the main architects of the constitutional reform and of Menem's reelection.

Moreover, the minister splintered his relationship with one of his last, fragile allies in the cabinet. After the row in which he got everyone involved, he was unable to prevent Armando Caro Figueroa from signing the controversial decree that sparked the discord and that was designed to coax the CGT [General Confederation of Labor] into calling off the strike announced for the 26th of this month.

There were further run-ins. Cavallo took pains to tone down his confrontation with the president, but on Tuesday the 12th filed a complaint with the nation's attorney general, Angel Aguero Iturbe, in connection with biddings by government agencies that had supposedly favored Yabran-owned companies. It bears recalling that the president has never disavowed his ties to Yabran, who is in the package-delivery business. The minister then added a few more drops of fuel to the fire. Along with the complaint he submitted two manuals that Yabran had supposedly used and that contain seemingly foolproof guidelines for winning public-agency biddings. His presentation of this evidence revealed several things. With it the minister continued his broadside

against Yabran but above all else was attempting to avert a ruling that the attorney general will hand down this very week and that could represent a new political stumbling block for Cavallo. Aguero Iturbe will almost certainly rule that the evidence submitted by the minister against Yabran after his famous accusation in August of last year is "insufficient." Last week the attorney general gave us a taste of what is in store: he chose to send Cavallo's complaint directly to federal court so as not to postpone the other ruling.

The economy minister and his people say that they have adopted a low-profile political approach, "which events often contradict," and are devoting themselves exclusively to the problems of the convertibility plan. They are not unaware that one is surely tied to the other. A potential economic recovery will require a great deal more effort, insofar as the minister's standing declines and his relations with Menem worsen. This is perhaps the reason for the harangue that he delivered to his staff in an effort to encourage them to keep up their guard in the weeks and months ahead. His remarks reflected a mix of weakness and strength. Cavallo rightly claimed credit for at least part of the political success that the president currently enjoys. He reaffirmed his determination to remain in his post in spite of everything, although he could not conceal his disillusionment over the vulnerable flanks, and "not only from the economic perspective," that his policies have started to show. He was particularly hard on Aldo Dadone, the former president of the Banco de la Nacion, and did not forget to mention some other former colleagues, among them Deputy Juan Schiaretti.

This is understandable. Certain key elements of Cavallo's strategy have started to fall apart. When he made his charges against the supposed mafias and certain politicians in August, he seemed to be the ruling party's sole standard-bearer in the struggle against corruption. In so doing, he managed to divert attention from the recession and unemployment that have been the consequences of the convertibility plan. Seven months later, many of the charges about irregularities are jolting or at least touching his ministry, while the economy is still far from showing signs of taking off.

In contrast, there seem to be no chinks in his foreign support. Although U.S. Secretary of State Warren Christopher may not be able to repeat the word "hero" to describe the minister and thus arouse the president's wrath, the United States does not seem to have backed off one bit from its support for Cavallo. He traveled to Washington last week, "it has now been learned," to get some political breathing room, rather than gain specific backing for the economic program. James Cheek again served as a go-between with the administration. The U.S. ambassador reaffirmed his country's support for Cavallo, but not just to Menem. The previous week he made an almost identical recommendation when he went fishing in the south with Eduardo Duhalde. And he gave the governor some additional advice: not to ignore the series of contacts that the minister has cultivated in U.S. financial centers to pave the way for his presidential bid in 1999.

The minister's troubles are apparently still on the home front. The president does not miss a chance to needle him "about the Grisanti affair and during cabinet meetings" and is handling the political situation as if the ultimate crisis were no longer a bogeyman in his eyes. Bauza is trying to reconcile them but, at the same time, is pushing political accords with sectors (the CGT and the UIA [Argentine Industrial Union]) that are critical of the minister's economic policy. Amid last week's upheaval the cabinet chief hammered out with Congress a patents bill that ignores the Economy Ministry's suggestions. Corach pretends not to be interested, but the court cases against the minister's officials are moving forward with unheard-of speed compared to other cases that have touched the Menem administration. Even labor leader Luis Barrionuevo's broadside against Cavallo, when Menem was in Paris, does not seem as detached from reality as it did back then.

It is odd, but never before has Menem paid as much attention to the minister's waning popularity, and never before has so much doubt been voiced about the real importance of his outside support. In this regard, one argument is often heard in administration offices, and Barrionuevo himself is wont to expand on it: Cavallo has overseas backing because he has become the guarantor of Argentina's creditors. They actually believe that the minister represents a parallel government or has been a foreign body all this time. Cavallo has been there from the very day that Menem came to power and he took the helm of the economy under the threat of renewed hyperinflation. When all is said and done, Menem is reviving a long-standing Peronist reflex, "the two-faced message and the avoidance of responsibilities," which in past and no doubt more tragic eras did not exactly do honor to the country's political history.

Bolivia

Bolivia: Antiaircraft Artillery Upgraded With PRC Loan

PY2003171596 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 20 Mar 96

[FBIS Translated Text] General Reynaldo Caceres, the Armed Forces commander in chief, has reported that, thanks to a soft loan approved by the People's Republic

of China, the Armed Forces have upgraded their anti-aircraft artillery equipment and their transportation.

Pursuant to the agreements signed with that Asian country in 1993, artillery materiel totaling $2 million has already been delivered.

General Caceres reported that another $2 million has been approved for purchasing transportation vehicles. A similar amount, which is still pending, will be used for purchasing more transportation vehicles, he said.

We will double this service, as the transportation vehicles have not been renewed for 15 years and now we urgently require this materiel for transporting personnel and for civic actions, General Caceres emphasized.

The Armed Forces commander in chief pointed out that the first batch of vehicles has already arrived in Bolivian territory and will probably be handed over by President Gonzalo Sanchez de Lozada over the next few days [y es posible que en los proximos dias sean entregados por el Presidente Gonzalo Sanchez de Lozada].

Bolivia: Labor Situation Updated; COB Calls For Strike

PY2703010596 Buenos Aires TELAM in Spanish 2014 GMT 26 Mar 96

[FBIS Translated Text] La Paz, 26 Mar (TELAM-SNI) — The local media has reported that the Bolivian Labor Federation (COB) today joined the rural teachers who are protesting the deterioration in their salaries, and it has called for a general strike that will begin on 28 March.

More than 2,000 union members also expressed their rejection of the privatization process of Bolivian Government Oil Deposits (YPFB).

President Gonzalo Sanchez de Lozada began the negotiations for the transfer of YPFB to the private sector on 21 March, and the two main opposition parties, the Nationalist Democratic Action (ADN) and the Movement of the Revolutionary Left (MIR) are participating in the negotiations.

David Cultard, one of the directors of YPFB, has announced that it has been decided production will be halted despite the police barriers that are surrounding Bolivia's main gas and oil pipelines, and he indicated that within two or three days there will be a lack of fuels on the local market.

Meanwhile, Bolivian doctors today began a 72-hour strike because they reject the capitalization of their mutual fund.

Some 700 pensioners have also joined the hunger strike that is being carried out by the COB. They are protesting the capitalization of their pension fund, and they also criticized the government's policy regarding state enterprises.

Government Minister Carlos Berzain expressed his concern about the wave of violence that is occurring throughout the country, and he accused the radicalized union sectors of promoting "a climate of belligerency."

After criticizing the attitude of the rural teachers, which he termed as "violent and provocative," Berzain implicitly acknowledged that on 25 March a policeman caused the death of a campesino during a demonstration in La Paz.

The minister warned that "those responsible must not only be sought among the police force, because there is responsibility on both sides."

The police actions were energetically condemned by congressmen of the government coalition and they demanded an exhaustive investigation and the punishment of those who were responsible.

[Madrid EFE in Spanish at 2118 GMT on 26 March also carries a report on the Bolivian labor situation, noting that there was a "noisy demonstration today in La Paz in which thousands of people who sell their products in the markets and in the streets protested the death on 25 March of a market porter who was presumably killed by a policeman."

[The EFE report goes on to note: "A group of men threw stones at two policemen who were guarding the entrance of the Social Security Offices, causing the latter to disappear from the place while the demonstrators hurled insults at them."

[In concluding, the EFE item adds: "Meanwhile, a multitude of female vendors, who with their skirts and ponchos gave a colorful aspect to the demonstration, marched through the streets to reject the capitalization (partial privatization) of YPFB, shouting 'if Goni (Bolivian President Gonzalo Sanchez de Lozada's nickname) wants cash (money), then let him sell his wife.'"]

Brazil

Brazil: Finance Minister on Public Area Development

PY2703174896 Sao Paulo GAZETA MERCANTIL in Portuguese 18 Mar 96 p A7

[Interview with Brazilian Finance Minister Pedro Malan by unidentified reporter on 15 March; place not given]

[FBIS Translated Text] [GAZETA MERCANTIL] The administration does not plan to reduce, on 1 April,

the import tax on products included in the Mercosur [Common Market of the South] Common External Tariff [TEC] list of exceptions as previously established, but plans to negotiate a more gradual reduction. Does this mean there is concern over the trade balance and the increased volume of imports in February, particularly with regard to consumption goods?

[Malan] We believe the January and February 1996 trade balance is excellent. We are entirely happy with it. January exports were 16.5 percent above January 1995, which were themselves a record for that month. In February, exports were 15.8 percent higher than in February 1995. The January-February period was 16 percent up on the same period in 1995. Meanwhile, imports dropped by 15.3 percent. Brazil imported $4.050 billion worth of goods in February 1995, and now imports have dropped to $3.428 billion. That says it all. Thus, we are not concerned over foreign trade or with the balance of payments. Our reserves are at an excellent level and our foreign trade generally gives us no reason for concern. I do not like to make forecasts, but what is important to me is the course being taken, and the result will be better than in 1995. The deficit in the current account in proportion to the GDP will also be smaller. As to the question about what will happen to the TEC convergence (convergence to the level of external tariffs of other Mercosur member countries), I seldom comment on issues that are still being discussed within governmental spheres. I do not think there has been any wild expansion of imports of any product during these first two months of the year. Consumer goods, which represent a small proportion of the $3.4 billion imported, rose from $194 million in January to $250 million in February. We know there are specific areas in dispute, and that they have been working to improve on procedures. Nevertheless, we must consider more general facts and not just specific points. I do not want to forecast anything because the issue is still being discussed.

[GAZETA] What about these areas that have specific points in dispute, that have difficulties?

[Malan] We have recently promulgated legislation that allows us to deal with unfair trade practices and dumping [preceding word in English]. We can also use mechanisms approved by the WTO. I have been telling entrepreneurs that for many decades Brazil had a very closed economy and that we have not developed in the public or private areas, which is common in the United States where there are people with great experience in dealing with these issues in accordance with procedures of international trade organizations. Developed countries have very agile ways to identify dumping. They can identify cases within context; they know about international trade, not just about domestic trade; and are able to defend their trade under laws that they know very well. We are training public area people on that. People are only now being better trained; previously the issues were not deemed relevant. The trade area, however, is very promising in terms of relations between the public and private areas. As a result, when issues like PRC imports come about, one can see clearly that one is dealing with social dumping, which is an unfair trade practice, and one becomes aware that there are mechanisms that can be used without affecting the rules on trade as a whole.

In my opinion, it is inappropriate to monitor the evolution of imports on a monthly basis, adopting a protectionist measure immediately after imports of a specific product are found to have grown too much in one month. Many believe the federal government must resolve all problems. Frequently there are problems that call for action from other government organs or from enterprises. Traditionally, problems should be brought to Brasilia and solutions are expected to come from Brasilia.

[GAZETA] What is your opinion of the Central Bank [BC] issue? What do you think of this institution?

[Malan] All human institutions can be improved, and this also applies to the BC and for that matter to any public or private institution. This is what many lawmakers are doing. Deputy Antonio Kandir (PSDB-SP) [Brazilian Social Democracy Party-Sao Paulo] had an extremely positive initiative. Deputy Benito Gama (PFL-BA) [Liberal Front Party-Bahia] is working on regulations for Article 192. Several senators and deputies have contacted me on this subject. What is the best way to deal with the subject? Instead of spending time and energy making noises and appearing on television, enjoying a short-lived glory with an irate, inflamed speech, it is better to use this time and this energy to rethink the institution.

[GAZETA] What is your position during those contacts with lawmakers?

[Malan] I again advocated a position that I have defended for some time. I no longer use the words autonomy or independence of the BC. I never liked those words because I always thought it naive to imagine that after making a legal comparison of the autonomy and the independence of the BC, everything would be resolved and there would be stability. This is terrible naiveness. The situation depends on all other factors. The BC, like everything else in the world, does not work in the dark. It has a political and an institutional context, with the government's commitment to the efficient management of public assets, to fiscal austerity, and to the soundness of its institutions. In the absence

of those conditions, it is greatly naive to expect an independent BC will guarantee stability. I mean that two things are sufficient, and they are relatively simple. One is that BC executive board members and the BC president should be designated for a specific period. Today we have a specific period for the post of Cade [Administrative Council for Economic Defense] counselor, who stays for two years. Why can't there be a specific period for someone in a selection process at the Finance Ministry and at Planalto Palace, whose name is proposed by the president to the Senate, and who is submitted to public questioning before the press at a Senate committee briefing for as many hours and days as necessary, describing his biography and his past? I believe it is reasonable to be designated for a specific period, subject to the possibility of being dismissed if the official (the BC director or president) is found to be an alcoholic, a thief, or if he goes mad. The Senate can also order the dismissal based on another criteria.

[GAZETA] What about the proposal for a quarantine for BC executive board directors?

[Malan] I see no problem for a quarantine to prevent a situation in which someone on the BC money or exchange board on a Friday, and operating as a customer at a financial institution on Monday. For example, this makes a big difference in the control area, which we are restructuring. It makes a big difference if you bring a person and say: "Look, you will stay here for two, three, or four years to develop a restructuring project in the control area," instead of bringing someone who will stay for two or three months.

This has to do with administrative continuity, the ability to project the future, to devise a work program with a minimum of coherence and sustenance. I hope this time it will be possible to develop a project that will be discussed seriously, without political interference.

Another point I have defended for a long time is that the Constitution specifies that the BC has the essential objective of ensuring the stability of the purchasing power of our currency. As the Constitution is full of details on several other subjects which would be better regulated by common law, why not define something essential for the future of the country?

[GAZETA] Will the years the BC directors remain in their posts coincide with the president of the Republic's period in office?

[Malan] That is a detail. First, we must have a concept of what these years in a post mean. Does the idea of a pre-established period in a post make sense or not? If people say it does not make sense, then it does not make sense and thus it is not worth losing time figuring out how many years would be best or if it should coincide with the president's period in office. International experience on this varies very much. I know, however, that (these changes) are a prerogative of Congress. We are absolutely calm about being able to explain whatever is necessary. Having said that, I believe the CPI (on banks) increases the uncertainty, particularly because we know how the emotional and political climate of the CPI can be used for all kinds of charges [denuncismos] about the past. I believe we are currently looking to the future and thinking about building the future. Nevertheless, I hope the more constructive attitude I have been clearly noticing in Congress will prevail over a certain type of opposition which is interested in seeing the administration do badly, and in seeing the country getting along badly, because they believe that thus, there will be a favorable basis for their future political ambitions.

[GAZETA] Supervision over banks has changed a lot in several countries worldwide. Brazil is considering changing its supervisory system also. Is it considering the creation of market mechanisms to stimulate a good banking management and to make bank administration more transparent?

[Malan] These issues have already been discussed. No changes can be implemented in 24 hours. They have their own dynamics, an internal debating process. I believe those who take the trouble to examine will notice several changes. For example, we adopted the Basel criterion (based on assets) last year and have established minimum requirements and conditions for establishing financial institutions. This is a change for the BC; previously attention was paid to an institution's debts, capital, third parties' capital, and degree of leverage. Less importance has been increasingly given to BC compliance with norms and rules, and to the use of the largest number possible of people to identify why something occurred. More importance is being given to a qualitative dimension and, instead of looking to the past, we are looking more to the future. We want to forecast problems instead of looking into past problems. This is not just a change in legislation, it involves changes in attitude.

[GAZETA] What about the idea of splitting up BC duties because the institution accumulates too many functions that could be transferred to other government agencies; for example, the supervision over banking system operations? When you say the BC's main objective is to look after our currency, are you saying you favor dividing the BC's functions?

[Malan] It is the responsibility of the monetary authority in every country of the world to ensure the solvency,

solidity, and liquidity of the financial system. It is a permanent responsibility which I think should be established in the Constitution. I do not believe the other responsibility, that of supervising the financial system, is a permanent responsibility because international experience on this varies very much. In several countries this supervisory activity is conducted separately, independently from the local central bank. I believe something like this can be discussed. I believe it would not be feasible now for two reasons. First, due to our country's public area, I have serious doubts about the naive optimism that assumes that by planning to establish an agency, it will be immediately possible to endow it with experienced human resources as an institution with the accumulated skills to function effectively. To do that, it would be necessary to pay salaries that the administration cannot pay in order attract skilled people to this agency. The other reason is that currently there is no other institution to replace the BC in this area. This sort of division has been conducted in more stable economies from the macroeconomic viewpoint as well as from the viewpoint of the financial system itself. Nowadays, when something has to be done, like in the case of the Economico Bank or the Nacional Bank, no other institution but the BC can do it. It is not necessary to establish in the Constitution, however, that it is up to the BC to always fulfill this sort of task. I envisage a future, in a few years, when our political, institutional, and economic situation will be more consolidated, and it will be possible to consider a supervising agency like those in other countries. International experience in this regard, however, varies very much. Several European countries, and in Japan, hold their central banks responsible for this supervision.

[GAZETA] Do you think the currency stability can be guaranteed when a case like the Nacional Bank explodes, expanding the monetary base?

[Malan] What effect did the Nacional Bank case have on inflation?

[GAZETA] The monetary base and the internal debt increased.

[Malan] It did not have that effect. The monetary base did not surpass its foreseen limits in December. It always expands in December for seasonal reasons. Monetary aggregates drop considerably in February compared with December. There is no reason why a bank in trouble should affect inflation. Nine months have elapsed since the Economico Bank problem and three months since the Nacional Bank one, without affecting inflation.

[GAZETA] What do you think of the rest of the financial system?

[Malan] Our whole system will have to change. The system lost 10 billion reals in profits as a result of reduced inflation, therefore an adjustment is inevitable. Some banks also suffered the effects of an austere monetary policy which was expressed in defaults that are still being digested. Our system had many banks with top-heavy administrative structures and resources compared with modern bank standards, which are related to technological progress. I separate them. Foreign banks are in good condition because they already underwent that process in their countries of origin. Official federal banks are making an enormous effort, and I think they are obtaining results. When this administration concludes its mandate, the Bank of Brazil and the Federal Savings Bank will be in much better shape than ever as result of the adjustments being made now. State banks require greater discussion. My concept is that banks and politics are not compatible. The idea of a bank changing owner every four years is not compatible with the idea of continuity, programming capability, or adaptation to challenges presented by technological developments. Therefore I do not think the future of state banks is very encouraging in the middle and long term. The system as a whole will have to undergo an adjustment process, and for that reason we created a deposit guarantee fund and the Proer to preside this process in a less traumatic manner along the next few years. Overall, I am not worried with the financial system in general. We have extremely efficient banks and we are attracting new foreign banks that are efficient and solid.

[GAZETA] What is your forecast on the economic performance to the end of the year?

[Malan] Economic development in 1996 will be exactly the opposite of what it was in 1995. The economy was clearly overheated at the beginning of last year. We made a deliberate decision because we thought if the trend continued, it would affect the real. I think this year economic growth will be about 4 percent of the GDP, but it will behave differently. Last year economic growth began at over 10 percent of the GDP, and then it began to drop. It will be the opposite in 1996. The 12 months period that ends in the first quarter of 1996, compared with the 12 previous month period, will be affected by the strong performance of the end of 1994 and the start of 1995. As of the second quarter of 1996, especially during the third and fourth quarters, the figures will be extremely different to those of the previous year. You will be making a comparison, either on a 12-month basis or a quarterly basis, with a weaker period last year. This year will reflect a climbing trend, while last year it was a declining one.

[GAZETA] What could be the consequences of the approval of a social security reform that differs from the original government proposal?

[Malan] [Former Finance Minister Mario Henrique] Simonsen said during a debate in Sao Paulo that the 1988 Constitution implicitly decreed the bankruptcy of the Brazilian public sector. It must be changed; if not, the governability and the efficiency of the public system will be eroded. There is no need to implement the social security reform at once, but it is important to take some steps forward, even if in five years time it will have to be reformulated. The social security system must inevitably be modified at some time. If it is not modified during this administration, it will have to be modified during the next, and the costs could be greater. It represents liabilities which we are withholding for the future generations. Beside being a monumental injustice, I am surprised at the calmness with which the people who deal with social aspects face this issue. This is the only country in the world that pays a bonus for not working, where you receive more for not working, where you take vacations and get paid double, and then retire only to collect a pension greater than your active duty salary.

[GAZETA] What is most important for the Brazilian economy at this moment? What are its critical points?

[Malan] I think they are variables, details, developments of what I have for long considered the great challenge of consolidating our stabilization and sustained development. Our social weaknesses must be attacked through reforms of the state, the public sector, the administrative apparatus, the social security and taxing system, and through privatizations. This is the great challenge, not the one affecting the private sector, not the external sector. The challenge is to improve the public sector in several aspects, at the level of the federal government, the states, and the municipalities, as well as the social security system, and federal and state public companies. That is what has been forgotten in terms of Brazilian demands for the 21st Century. We must recover lost time. I would basically quote five reasons why stabilization programs fail, in our own experience and that of other countries. One is the difficulty with which to deal with expanded consumption as result of a drop in inflation, the expansion of credits after a sudden drop in nominal interest rates. The people did not look at interest rates, they only take into consideration their salaries and the fixed installation. After decades of coexisting with high inflation rates people thought the installation would be diluted by inflation. Companies and consumers committed many mistakes. In some cases the government did not or could not adopt measures to deal with the excess demand promoted by the stabilization. But the problem was controlled and will not create further problems for the real. The other reason is the external factor, the problem that a negative balance of payments can cause speculative attacks and make the economic program fail because it forces a devaluation of our currency and allows inflation to return. I do not consider this a challenge for the real. It was a problem soon after the Mexican crisis but now it is totally overcome. The third reason is the adjustment of the financial system, which has created problems in some banks — problems which, if not properly resolved, can affect the system as a whole. This is why no country in the world allows a major bank to go bankrupt without doing anything, because it knows that it must resolve the problem one way or another, because the cost of the solution is always lower than the cost of taking no action, of leaving the bank alone to see what happens.

The fourth reason is the political problem, which involves the cost of stabilization in sectors that were affected and that lived better with a high inflation rate. Some sectors, which made the wrong bet and took a wrong decision, can generate wrong political pressures seeking to revert the program on the grounds that costs are high and that it is not worth paying them. In several cases, the lack of political support for stabilization produced failure. I hope this will not happen now.

Fifth, and most importantly, is the incapacity to modernize the public sector, to make the necessary consolidation, to show it is possible to live with fiscal austerity in the medium and long term, and to make basic reforms that will permit the state to concentrate its scarce funds in social areas. Since 1993, our bet has been that reducing the inflation rate would permit a minimum political support to continue with public sector reforms, without which it would be impossible to consolidate factors essential for the stabilization plan. My confidence does not concentrate only on the government, on the executive branch, but on the fact that most Brazilians want stabilization to succeed. If I am wrong, there will be no solution. If most Brazilians decide the cost is too high and they would rather not pay it, then...

[GAZETA] The government is finding it difficult to get Congress to approve the reforms you deem essential.

[Malan] Just as nature abhors a vacuum, the government will not stop governing. The government will not be stalemated if the social security or administrative reforms are not approved. The government will take measures, but the cost will be lower if those reforms are approved.

[GAZETA] What are those measures?

[Malan] Well, I hope the reforms will be approved...

Brazil: Telecom Firm Invests in Cellular Phones

PY2703121596 Sao Paulo GAZETA MERCANTIL in Portuguese 20 Mar 96 pp A1, C7

[Article by Andre Lacerda in Belo Horizonte]

[FBIS Translated Text] The firm AG Telecom, of the Andrade Gutierrez Group, is preparing to compete in the cellular telephone market. The enterprise will form a consortium with the U.S. company U.S. West, and use foreign investment. The firm AG Telecom is seeking partners to exploit cellular services in the states of Sao Paulo, Minas Gerais, Rio de Janeiro, and Parana. In Minas Gerais, where it plans to invest 300 million reals [R] over the next five years in the installation of the cellular system, AG Telecom is negotiating an accord with a local group.

The AG Telecom strategy for engaging in competition with regard to concessions for the cellular telephone system is to create the enterprise AG West, which will be a consortium comprising the company US West and utilizing foreign investment funds. The AG West consortium will render cellular telephone services in the four aforementioned states as soon as band B is opened to the private area.

In order to work in the market of subscription television, AG Telecom has purchased from the U.S. Cellular Vision copyrights enabling it to use the system, which is named after the manufacturing company. This will allow AG Telecom to transmit voice, data, and images without the use of cables. AG Telecom President Otavio Marques de Azevedo gives assurances that the system has more advantages than the LMDS (Local Multipoint Distribution Service), because it uses an antenna with a diameter similar to that of a round sandwich instead of the DTH (Direct-To-Home) pizza-size antenna. The Cellular Vision system is being tested in Tatuape District, Sao Paulo, where it transmits at a frequency of 28 gigahertz.

The company AG Telecom was created two years ago, and in 1995 already had profits totaling R80 million. Currently, it renders virtual telephone services in the city of Sao Paulo to 25,000 subscribers. It also carries out operations involving electronic transactions with credit cards and data transmission.

The consortium with U.S. West was agreed upon nearly three years ago. So far, only one joint venture [preceding two words in English] has been organized and, in accordance with a letter of intent signed by the partners, it contemplates the establishment of a new enterprise: AG West. The new company will be formally established only after biddings are conducted and the areas in which the consortium will work defined.

In the shared control company, Andrada Gutierrez will have 35 percent of the shares through AG Telecom and the U.S. partner will have 30 percent. The remaining shares will be sold to foreign investment funds.

To be able to use the band-B concessions, the enterprise will try to establish partnerships with local firms. In Minas Gerais, where it plans to invest R300 million over the next five years in order to install the system, AG Telecom is trying to reach an accord with a group that has great participation in the economy of Minas Gerais.

In the United States, U.S. West operates in areas similar to the one in which it will work in Brazil, i.e., in the middle class consumer market. US West is headquartered in Denver, Colorado, and covers 49 percent of the U.S. territory, although it works with only 9 percent of the American people. Initially, the consortium will concentrate its work in the states of the Brazilian south and southeast regions, but this can be altered in the future.

Brazil: Policies Seen Threatening Stabilization Program

PY2703173096 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Mar 96 p B2

[Editorial: "Protectionist Binge"]

[FBIS Translated Text] As often happens in personal and collective experiences, the resounding success experienced during President Fernando Henrique Cardoso's first year in office has been hindering his current performance. As a matter of fact, it has become a crucial element in explaining the huge difficulties found in approving extremely diluted versions of the structural reforms that are required to make feasible a sustained and equable economic growth.

During the initial implementation of the Real Plan, still at the time of Itamar Franco's administration, and in the first six months of 1995, the president very successfully waved as a flag the possibility of a setback of high inflation rates in all the political negotiations that made feasible the implementation and maintenance of the Real Plan. This success has made characteristic not only the effective use of an already existing legislation, but also the approval of an initial set of structural reforms concentrated in reducing the role of the administration as a producer of goods and services.

Beginning mid-1995, the administration began to face difficulties in the debates held at Congress about the reforms. At the same time, the administration showed great complacency regarding the desirable fiscal rule required for the success of economic stabilization.

This process reached its climax in the Persian market atmosphere that has been recently instituted in Brasilia. In this atmosphere, the legitimately reformist essence of the gubernatorial coalition has become hostage to groups that resort to political opportunism. These groups seem to control Congress and even a portion of the executive branch.

It has become a generalized impression in the political circles that, due to the currently low inflation rates, there is space enough to relax still further the grip on public expenditures, to reestablish some of the old instruments used to extract riches from the administration, and to postpone reforms that could improve the country's economic situation. It is as if low inflation rates, added to high levels of international reserves, could justify continued exaggeration in public expenditures, a process that was only temporarily interrupted in the first months after the implementation of the Real Plan.

Losses caused by this mistaken perception by important segments of Congress are made worse by a similar behavior in the bosom of the executive branch. The administration has been repeatedly showing its disposition to transform the economic-reform process into topics of great importance for preserving the credibility of the stability program.

The trade policy plunges are a good example of this argument. In its efforts to subsidize the activities of car-assembling companies that have been operating in the country and to defend the provisional measure for the automotive area before the WTO, the administration has made its request for a waiver [preceding word in English] official. There is high risk that, in a 90-day period, the country will again be admonished although it is apparently willing to spend political ammunition — which is rather scarce and could certainly be used for more noble objectives — to make the regime legal.

As expected, the decision to distribute favors to the automotive area, has encouraged other areas of the economy that are also requesting protection. Within this framework, import taxes on textiles, shoes, and home appliances have been significantly increased, for fear of repeating in the country a situation similar to the one that led to the Mexican crisis.

The one-year deadline for the enforcement of the Dallari list — which contains exceptions to the Common External Tariff (TEC) of the Common Market of the South [Mercosur] and which has already been distorted after the inclusion of products that have nothing to do with supply, such as textiles — as well as of increased tariffs on shoes and home appliances that are included in the Brazilian list of exceptions for Mercosur is approaching.

Based on the $7 million trade deficit registered in February and on an increased import of durable consumption goods — which in January stood at $194 million and increased to $250 million in February — the administration coordinated a vigorous campaign through the press. This campaign has been using prudence with relation to the country's position regarding the balance of payment to hide its simple and thorough defense of the interests of certain groups. Apparently, it is no longer mentioned within government circles the possibility of returning to the situation that prevailed in April 1995. Nevertheless, the administration considers the possibility of implementing amendments to programs that were aimed at reducing tariffs. By doing that, however, it merely postpones the previously planned measures to deregulate the economy. In this regard, the administration has been implementing the national economic policy in a curiously asymmetric manner: On the one hand it is almost permanently expressing its concern over the trade balance, even if it does so based on doubtful evidence; and on the other hand the administration almost never expresses fear about the consequences the deteriorating public accounts can have, although there is clear and irrefutable evidence of such deterioration.

The president has been preventing the pillars of the stabilization program from being undermined by the action of specific interests in Congress and in the executive branch. This must also be applied to the country's trade policy. We cannot forget that trade deregulation is important to determine domestic prices, to maintain the inflation rate at low levels, to stimulate an increased effectiveness of domestic productive activities, and to support abroad the credibility of the stabilization program.

Brazil: Minister on Public Deficit, Fiscal Policy

PY2703210496 Sao Paulo GAZETA MERCANTIL in Portuguese 25 Mar 96 p A4

[Report by Mara Luquet]

[FBIS Translated Text] Planning Minister Jose Serra wants to eliminate or reduce the political pressure on public financial managers. On 24 March, during the annual meeting of the Assembly of Governors of the Inter-American Development Bank (IDB), Serra said state and municipal governments account for most of the national public deficit. He said: "In 1995, they accounted for two-thirds of the national public deficit."

He said state and municipal governments account for about half the public spending in Brazil. He added: "It is because of this that a great deal of federal effort in the economic policy area is focused on the fiscal adjustment, particularly in the states. This foresees a reduced

administrative apparatus, spending cuts, privatizations, and drastic cuts in the indebtedness of the states."

Serra said the fiscal policy is subject to — among others — political factors: "One factor is undoubtedly the great diversity of parties in Brazil, without an obviously larger party, and to strong regional interests."

He said the Constitution places burdens on the budget, especially in connection with social security and public administration. He added: "It is not by chance that the government has concentrated its efforts on obtaining a majority to promote changes in the Constitution." He said: The rigid nature of the Constitution permits the reassignment of only 5 percent of the budget each year.

Serra addressed a group of bankers and fiscal and monetary officials from several countries for about 15 minutes. During his briefing, he stressed the need to establish fiscal targets and to have efficient and expedient fiscal institutions. During the meeting, IDB economists proposed the creation of a National Council of Fiscal Affairs. The minister sat beside Mexican Finance Minister Guillermo Ortiz. The table was also shared by U.S. Treasury Under Secretary Larry Summers; Vito Tanzi, director of the department of fiscal relations of the International Monetary Fund (IMF); Jacob Frenkel, of the Bank of Israel; and chief IDB economist Ricardo Hausmann.

Brazil: Cooperation Prospects With Chile Viewed

PY2803015596 Sao Paulo GAZETA MERCANTIL in Portuguese 26 Mar 96 p A4

[Report by Isabel Versiani and Mariangela Galluci in Brasilia]

[FBIS Translated Text] Chilean Finance Minister Alvaro Garcia said yesterday that his government will negotiate with Brazil the signing of a tax agreement. Garcia met yesterday with his Brazilian counterpart Pedro Malan, to discuss the issue. Garcia said the agreement seeks to reconcile the different tax policies adopted by the two countries.

Garcia said Brazil has much to gain by intensifying its relations with Chile. He noted that although the Chilean GDP is nearly 10 percent of the Brazilian GDP, the volume of Chilean exports ($15.9 billion in 1995) is about one-fourth of Brazilian exports ($46.5 billion). Garcia said: "We are strongly promoting exports."

Garcia said there are "enormous" investment opportunities in both countries. Thus far Chile has invested nearly $500 million in Brazil. This represents 22 percent of overall Chilean investments abroad, which currently stands at $2.2 billion. By contrast, Brazil has invested only $150 to $200 million in Chile.

At a meeting with the justices of the Federal Supreme Court (STF) in Brasilia, Chilean President Eduardo Frei proposed cooperation in the judicial area.

Frei said the Chilean penal procedural laws are being revised, adding: "Our democratic system and all our institutions are facing the risk of being seriously undermined. This is why we are taking the initiative of reforming the laws." Frei said the reform "has been widely endorsed by the various Chilean sectors." He said the reform seeks to separate the functions of investigating and prosecuting crimes from that of passing judgment.

Frei added: "A steady exchange of experience between Brazil and Chile will be extremely useful for us during our reform process. In this respect, the STF is highly competent to determine our chances of cooperation on such a key issue for improving the standard of living of our peoples."

Brazil: Leaders Try To Resolve Sarney-Cardoso Dispute

PY2703154196 Sao Paulo AGENCIA ESTADO in Portuguese 2224 GMT 26 Mar 96

[Report by Christiane Samarco]

[FBIS Translated Text] Brasilia, 26 Mar (AE) — After a week-long arm wrestling with the government around the CPI [Congressional Investigative Committee], Senate President Jose Sarney (PMDB-AP) [Brazilian Democratic Movement Party-Amapa] today raised the white flag. "I am waiting for a government gesture, not specifically addressed to me, but to the president of the Senate, to the institution," Sarney said in response to steps taken by government leaders trying to resolve the Sarney-Fernando Henrique Cardoso disagreements.

During a conversation with a Planalto Palace envoy this afternoon, Sarney reiterated that he fulfills his duties of Senate president impersonally. "He wants no fight," the government leader said. "Yet in order to have more cordial relations, Sarney believes that Cardoso should make a gesture, highlighting the appropriate management of Congress and the degree to which the institution has cooperated with his government," the source added.

The peace operation involved PFL [Liberal Front Party] and PSDB [Brazilian Social Democracy Party] leaders. While a group of lawmakers tried to approach Sarney, other senators were contacting Senate PMDB leader Jader Barbalho (PA) [Parana], who also supported the banks' CPI. "The winner must be generous and tolerant," Senator Lucio Alcantara (PSDB-CE) [Ceara] said. Senator Pedro Piva (PSDB-SP) [Sao Paulo], who was striving to convince PMDB leaders that the government

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will not seek to divide the party, did not hesitate to knock at Barbalho's office door today.

"Jader and I concluded that the power balance in the government support base in Congress is good for everyone, even for the PMDB," Piva said after a long conversation with Barbalho. "To promote division and to isolate Sarney would be a very bad deal," Piva added. The PSDB senator is convinced that the balance between the various parties making up its support base is the factor that gives more independence to the government. "To let the president continue playing his statesman's role, it is essential for the government not to remain committed to any party," he said.

Among PFL members, government leader Senator Elcio Alvares (ES) [Espirito Santo] has been the staunchest advocate of the pacification effort. "Sarney is essential for the appropriate implementation of the reform process, and to ignore his leadership is equivalent to ignoring something obvious," he said today. "I would be inconsistent if I did not make this rapprochement effort," he remarked. The promoters of peace have already let Cardoso know that Sarney, despite being in favor of the CPI, played an essential role to kill it at a floor session one week ago, when he made a decision on an appeal filed by the Senate Justice Committee. The opposition wanted to postpone the decision on the appeal — made on 21 March — for today. The idea was to put the CPI to work five days ago, creating a de facto situation. Yet Sarney met with Alvares and Senators Antonio Carlos Magalhaes (PFL-BA) [Bahia], Hugo Napoleao (PFl-PI) [Piaui], and Edson Lobao (PFL-MA) [Maranhao], and agreed to immediately vote on the appeal, even during a special Senate session.

Brazil: PMDB Deputies Again Block Vote on Patent Bill

PY2703004396 Sao Paulo AGENCIA ESTADO in Portuguese 2315 GMT 26 Mar 96

[Report by Rosa Costa]

[FBIS Translated Text] Brasilia, 26 Mar (AE) — The administration today failed in another attempt to have the Chamber of Deputies pass the patent bill. This has been the sixth time in which the vote was first announced and then postponed. A move to block today's vote was spearheaded by PMDB [Brazilian Democratic Movement Party] deputies, who are against the proposal sponsored by Senator Fernando Bezerra (PMDB-RN) [Brazilian Democratic Movement Party-Rio Grande do Norte], which was approved by the Senate. Deputy Ney Lopes (PFL-RN) [Liberal Front Party], rapporteur of the bill in the Chamber of Deputies, has fully endorsed the Bezerra-sponsored bill.

The PMDB deputies oppose provisions concerning the pipeline (retroactive recognition of patent rights), parallel imports, and local production. Bezerra's bill allows full patent rights and authorizes imports, except when these would be economically unfeasible. Deputies of the so-called nationalist wing are seeking to narrow the scope of these provisions.

Up until last week, Deputy Lopes believed that the patent bill could be approved without having to engage in negotiations with the opposition. He believed that disagreements with the group led by Sao Paulo deputies Alberto Goldman and Jose Pinotti had been overcome. The problem is that in recent days the lobby of groups working against the Bezerra bill has concentrated its persuasive efforts on the PMDB. If the bill is not approved by April, the U.S. Government may impose trade retaliatory measures on Brazil.

Brazil: Chile Asks Mercosur for 'Greater Flexibility'

PY2803034996 Sao Paulo AGENCIA ESTADO in Portuguese 2053 GMT 27 Mar 96

[Report by Vladimir Goitia]

[FBIS Translated Text] Sao Paulo, 27 Mar (AE) — Chilean President Eduardo Frei today asked the countries that make up the Mercosur [Common Market of the South] — Brazil, Argentina, Paraguay, and Uruguay — for greater flexibility to establish a free trade zone between the two parties. "We managed to make progress on many subjects, but there are still aspects that demand a special effort to reach an agreement that will satisfy the five countries," Frei said during a seminar on trade and investments between Brazil and Chile, which took place at the headquarters of the FIESP [Sao Paulo State Federation of Industries].

Although he did not directly mention the obstacles that have still prevented the signing of an agreement, Frei was referring to the 3 percent "statistic rate" (tax) applied by Argentina on all imports, except those from the Mercosur. "We want the elimination of that surtax for Chilean products too," said Chilean Economy Minister Alvaro Garcia after the seminar. President Fernando Henrique Cardoso also participated in the seminar.

Another point that must still be negotiated before the free trade agreement is signed between Chile and the Mercosur in June, when the Mercosur council will meet in Buenos Aires, is the "specific rights" (another tax) that Argentina charges on textiles, clothes, and shoes. This mechanism is implemented every time these kinds of products enter Argentina at a price lower than

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that found in the Argentine domestic market. "Those compensatory rights must also be eliminated, since they do not respect the WTO rules," Garcia said.

Brazilian Planning Minister Jose Serra, who gave a briefing on the prospects of the Brazilian economy, said that those two points will remain under discussion. According to him, Argentina is willing to revise its statistic rate and it will propose a solution to this problem during the negotiations.

As he stressed the importance of the agreement between the Mercosur and Chile, Serra said that the Brazilian car industry, for example, will be able to export to the Chilean market at least $200 million per year worth of cars and heavy vehicles. Regarding the Chileans' interest in the Brazilian energy sector, Serra said that Chile has good experience in this field, in which it has made heavy investments outside Chile.

Agriculture

President Eduardo Frei attempted to minimize the impact of the agreement between the Mercosur and Chile on the Chilean agricultural sector. "Chilean agriculture faces problems with or without the agreement. Therefore, this will not prevent a future economic, physical, and tariff integration with the Mercosur," Frei categorically said, responding to Chilean reporters' questions. On 29 March, for example, Chilean farmers will take to the streets and block traffic in protest against an eventual agreement that, according to them, will harm the farming sector.

"It is a sensitive subject, just as it was during the negotiations within the scope of the GATT and the unification of Europe," he said. According to Frei, the Chilean farmers' protest is not a general protest, since many farmers are competitive. "In 18 years, the entire Chilean economy will be competitive. That is enough time to allow all sectors to adapt to the rules of the Mercosur," Frei said in reference to the 18-year term established in the negotiations to allow sensitive products, such as agricultural ones, to become competitive within the Mercosur at a zero import tariff.

Brazil: Foreign Ministry Praises Nonproliferation Plan

PY2703233796 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 28 Mar 96

[FBIS Translated Text] Itamaraty, the Brazilian Foreign Ministry headquarters, today released an official communique praising the signature by France, United Kingdom, and the United States of the additional protocols of the treaty that establishes a zone free of nuclear weapons in the south Pacific Ocean. The communique states it is a positive measure by the governments of the three world powers in favor of the nonproliferation of nuclear weapons.

Brazil: Roundup of Economic Reports Through 26 Mar

PY2803003196

[FBIS Report] The following is a compilation of reports on economic activities in Brazil monitored through 26 March:

Basic Leading Indicators

Formal Employment Drops in January — Daniel de Oliveira, secretary for employment and salary policy at the Labor Ministry, today reported that the level of formal employment declined by 63,507 jobs in January, which represents a 0.26 percent drop compared to December 1995. A total of 453,225 jobs were lost during the 12-month period from February 1995 to January 1996. These figures, which are based on the General Record of Employed and Unemployed Workers, CAGED, show that employment dropped in every sector in January, with the exception of the civil engineering construction area, where a total of 2,186 new jobs became available, and thus the level of employment rose by 0.18 percent. The worst situation was reported in the manufacturing industry, where 29,406 jobs were lost, almost half of the overall number of jobs lost in January. De Oliveira noted that unemployment is not really on the rise, but that workers are moving from formal jobs to informal ones. He said: "The rate of informal unemployment, which regards as employed those working in informal jobs, has remained stable at between 4.5 and 5.5 percent." Thus, he said, only 5 percent of the work force is unemployed. Citing figures of the Brazilian Institute of Geography and Statistics, de Oliveira said that the rate of employment in informal economic activities stood at 48 percent in December 1995. He said: "This is a serious problem that needs to be addressed, because informal jobs are not as good as formal jobs." He also reported a 1.44 percent drop in average salaries in January. (Sao Paulo AGENCIA ESTADO in Portuguese 2124 GMT 22 Mar 96)

Financial Operations

Federal Debt Rises in February — The federal administration had to increase its debt by 10.253 billion reals, R, in February in order to reduce the money supply and to pay interest on government bonds. The federal debt in bonds alone increased by 11.38 percent as a result of the issuance of new bonds. The Central Bank, BC, issued bonds totaling R8.1 billion to reduce the monetary base

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by R5.4 billion. Nonpayment of interest on some bonds resulted in an additional increase by R2.120 billion of the debt in bonds. Thus, the actual debt in bonds, Treasury and BC bonds included, totaled R100.382 billion in February, compared to R90.663 billion in January. By February 1995, the debt in bonds had amounted to only R48.2 billion. The sharp growth of the debt in bonds has been linked to the inflow of foreign capital and to the imbalance existing in the federal administration accounts. Foreign reserves reached an all-time record of $55.7 billion, with a $2.2 billin growth in just one month. Reserves stood at only $37.9 billion in February 1995. (Sao Paulo GAZETA MERCANTIL in Portuguese 15 Mar 96 pp A1, B4)

Petrobras Withholds Shareholders' Profits — Departing from standard practice, Brazilian Petroleum Corporation — Petrobras — will not distribute dividends to its shareholders within the next 60 days following its annual general assembly, which was held on 21 March. Dividends corresponding to 1995 totaled $300 million. The federal government, which is Petrobras' majority stockholder, has decided to keep the $300 million until 30 September because the company must have cash on hand. Petrobras President Joel Mendes Renno said that "if we get more cash, we will pay the dividends as soon as possible." Petrobras' net profits totaled $586 million in 1995, which was 66.3 percent lower than the figure for 1994, when profits totaled $1.743 billion. (Sao Paulo GAZETA MERCANTIL in Portuguese 22-24 Mar 96 pp A1, A9)

Planned Foreign Investments Outlined — In accordance with a survey conducted by the Industrial Policy Secretariat of the Industry and Commerce Ministry, 79 of the 100 leading foreign companies established in Brazil plan to invest a total of $28.247 billion during the 1995-99 period. This amount includes $5 billion that may have been invested in 1995. Industrial Policy Secretary Antonio Sergio Martins said that $4.8 billion would be supplied by the main offices of these companies and the remainder would come from Brazilian domestic savings, including funds supplied by Brazilian subsidiaries. Auto manufacturers account for $2.8 billion of the $6.6 billion the foreign companies are planning to invest in 1996. Auto makers plan to invest as much as $10.6 billion by 1999. Pharmaceutical and chemical companies rank second, with plans to invest $4.579 billion by 1999. Electro-electronic, computer, and television and video companies are vowing to bring in foreign investments amounting to $1.544 billion during the above period, to be added to the $1.236 billion to be made available from domestic savings. The following is a breakdown by area of planned investments by multinational companies during the 1995-99 period: Food, $1.740 billion; auto industry, $10.670 billion; auto parts, $920 million; beverages and cigarettes, $836 million; capital assets, $252.2 million; trade, $1.421 billion; electro-electronic, computers, and video and tv, $2.780 billion; pharmaceuticals and chemicals, $4.759 billion; iron and steel, $3.044 billion; pulp and cellulose, $1.055 billion; plastics and rubber, $586 million; and miscellaneous, $360 million. (Sao Paulo AGENCIA ESTADO in Portuguese 1516 GMT 25 Mar 96)

Telemig's Profits Increase — Minas Gerais Telecommunications, Telemig, closed 1995 with its net operational revenues totaling R701.97 million. This figure represents a 17.2 percent increase compared to that of 1994. Gross profits stood at R347.01 million. Telemig was able to obtain these figures thanks to severe spending cuts and a rationalization of its operational structure. Higher productivity was obtained after dismissing 251 of its 8,029 employees by late 1994. Telemig also increased the number of its terminals in Minas Gerais State by 13.9 percent. In 1995, Telemig invested R419 million in expanding and digitalizing its telephone services. All told, Telemig set up 118,000 new conventional lines and 47,000 cellular lines. Telemig's net profits totaled R76.87 million in 1995; that is, 134 percent higher than those of 1994, when they amounted to only R32.97 million. (Sao Paulo GAZETA MERCANTIL in Portuguese 25 Mar 96 p C3)

Iron, Steel Investments Announced — Rinaldo Campos Soares, president of the Brazilian Iron and Steel Institute, IBS, on 21 March announced in Porto Alegre that iron and steel companies are planning to invest as much as $7 billion between now and 2000, with annual investments averaging more than $1 billion. According to Campos, 72 percent of this amount will be earmarked for funding programs designed to update and to modernize production processes and to enhance production capacity. The remainder will be used in other areas such as training, and environmental protection, which will account for 7 percent. Campos said that in the next four years, the auto industory plans to invest $12 billion in already existing and new assembly plants. Campos added that the auto parts industry invested $1.5 billion in 1995 and plans to invest $1.9 billion in 1996. (Sao Paulo GAZETA MERCANTIL in Portuguese 22 Mar 96 p C1)

Fiscal, Monetary Issues

Bank of Brazil Stocks Plunge — A total of R4.2 billion in losses reported in 1995 and the widespread belief that it — the Bank of Brazil, BB — will continue to sustain losses during the first half of 1996, yesterday caused the BB stocks to experience a free fall on the Sao Paulo Stock Exchange. With more than 3.5 billion shares

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traded and an overwhelming number of orders to sell, BB-preferred stocks plunged by 31.4 percent, closing at R9.50, while ordinary stocks, which were more lightly traded, dropped by 26.9 percent. Experts said that the free fall was also provoked by a technical reason; that is, the announcement that the BB will increase its capital by R8 billion provoked a devaluation of the stocks because the capital increase will cause the number of stocks to increase 5.9 times. Thus, the value of each lot of 1,000 stocks, which, before yesterday, stood at R35, will now drop to R16. (Sao Paulo GAZETA MERCANTIL in Portuguese 26 Mar 96 p A1)

Privatization

LightPar To Be Privatized — Acting President Marco Maciel signed a decree on 14 March to include Light Participacoes Inc., LightPar, in the National Privatization Program. A special assembly of shareholders held in late January had approved the splitting of Light, Power Services, Inc. into LightPar and Light S.E. or Light Rio. Light Rio is scheduled to be auctioned on 18 April. With a net worth of R3.751 billion, LightPar has a credit of R602.9 million with Light Rio. LightPar's privatization will depend on the solution of legal issues involving payment of a debt by the Sao Paulo Power Inc., Eletropaulo, to Light. (Sao Paulo GAZETA MERCANTIL in Portuguese 15 Mar 96 p B2)

Trade Issues

Auto Industry Deficit — The Brazilian auto and auto parts industry had a $2.86 billion deficit in its trade balance in 1995, with exports totaling $2.70 billion and imports $5.56 billion. Passenger cars accounted in large part for the above deficit because they were the leading import items in 1995. Car imports totaled $3 billion, while exports amounted to only $422 million. Exports of Brazilian cars to markets such as Italy and Argentina declined last year. According to figures of the Federal Revenue Secretariat, 368,000 vehicles were imported in 1995 and accounted for 21.3 percent of the overall domestic supply. (Sao Paulo GAZETA MERCANTIL in Portuguese 22 Mar 96 p A1)

Company To Build Dams in Chile — The Andrade Gutierrez construction firm has won an international bid and will invest $406 million in building two hydroelectric plants in Alfocachapoal, in the Andean region of Chile. Brazilian Foreign Ministry sources said on 22 March that financing operations have practically been arranged and that work is due to start in the first half of 1996. Andrade Gutierrez will have a concession to use the energy generated by these two plants for a 30-year period. This will be the largest Brazilian investment in Chile thus far. Another Brazilian construction company, Norberto Odebrecht, was responsible for enlarging and modernizing the international airport of Santiago. Brazilian construction companies are also expected to participate in the modernization project of Chilean ports, which will require investments totaling $800 million. (Sao Paulo AGENCIA ESTADO in Portuguese 2330 GMT 22 Mar 96)

Commercial Visits, Overtures

Hyundai Executive Visits Sao Paulo — S. W. Chong, vice chairman of the Korean Hyundai auto company, arrived in Sao Paulo on 25 March to meet with Planning Minister Jose Serra and Industry and Commerce Minister Dorothea Werneck. Hyundai, which plans to set up an assembly line in Brazil, is still sounding out the Brazilian economic policy to determine whether it should open an auto plant in Brazil. In August, Hyundai executives told Werneck, during her visit to South Korea, that their company would invest $1 billion in Brazil in two stages. Hyundai is looking for Brazilian groups with which to set up a partnership. (Sao Paulo AGENCIA ESTADO in Portuguese 0008 GMT 26 Mar 96)

Brazil: Investment in Cuba Not To Be Restricted

96SM0168A Sao Paulo GAZETA MERCANTIL in Portuguese 12 Mar 96 p A8

[Article by Maria Helena Tachinardi: "Brazil in Cuba Will Suffer No Restrictions"]

[FBIS Translated Text] Brasilia—This week the Ministry of Foreign Affairs will complete a study of the possible economic effect on Brazil of the Helms-Burton Law that was passed by the U.S. Congress and will probably be signed by President Bill Clinton. The preliminary assessment by Brazilian diplomats is that the new law will not affect Brazil's only sizable investment in Cuba—that by Souza Cruz, which is linked to the British American Tobacco Company. That firm, which has invested $120 million, has not bought any property expropriated from Cuban exiles in the United States and therefore cannot be punished. Brazilian exports are not affected by the law.

In a statement made last week, Minister of Foreign Affairs Luiz Felipe Lampreia said that Brazil is opposed to the U.S. trade embargo on Cuba—an embargo that will be expanded if the law is signed—because it is not advantageous from the standpoint of the Cuban people or the political situation on the island. The Helms-Burton law "is a complete cocktail" of measures condemned by international bodies such as the World Trade Organization (WTO), said one diplomat. "It is a typical case of unilateral action, discrimination, and extraterritoriality," he added. The objective is to benefit

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the Cuban community in Miami, whose property was confiscated by Fidel Castro. British firms will be harmed because the law prohibits the entry into the United States of products not accompanied by a certificate saying that they do not contain sugar of Cuban origin.

Last year Brazil's exports totaled about $40 million, and its imports totaled $70 million. The principal products sold to the Cubans are soybeans and their by-products, motors and parts, rolled steel and steel plate, wood and its by-products, industrial machinery and equipment, chemicals and manufactured goods, catalysts, industrialized food products, frozen chicken, farm machinery and equipment, and chemicals and pharmaceuticals. The biggest exporters include the Brazil Oil Refinery, the Santos Food Company, MWM Motors, Nutrimetal, Scania Brazil, Inc., the Arbi Trading Company, the Sadia Trading Company, Acare and Company Wood Products, and the National Steel Company.

The Havana in Bond Trading Company, a Brazilian firm established in Cuba, imports cleaning products and biscuits from Brazil. It sells them to the Cubans and to countries in the Caribbean, but cannot export to Miami.

Relations between Brazil and Cuba are more political than economic. The Brazilian Government has supported Cuba's reentry into the OAS and expressed opposition to the trade embargo.

Brazil: PT Begins To Define Election Alliances

96SM0168B Sao Paulo GAZETA MERCANTIL in Portuguese 6 Mar 96 p A8

[Article by Sergio Bueno and Ana Carolina Silveira: "PT Begins To Define Election Alliances"]

[FBIS Translated Text] Porto Alegre and Campinas—Judging from statements made in Porto Alegre yesterday by Luiz Inacio Lula da Silva, former national president of the PT [Workers Party], the PT and PDT [Democratic Labor Party] may be able to stitch together several alliances for the municipal elections in October. "We are experiencing our best moment in our political paths," said Lula, referring to the national president of the PDT, Leonel Brizola.

Lula and Brizola met again in the Rio Grande do Sul capital yesterday during the commemoration of the 35th anniversary of the State Savings Bank and a march sponsored by the Landless People's Movement (MST) on behalf of agrarian reform. "We are experiencing an extraordinary moment in relations with the PDT; we are supporting each other more and cultivating a longer-term courtship, not an electoral flirtation," Lula declared.

According to Lula, it is "important to the PT" to establish alliances with progressive parties in nearly all the cities. On his arrival in Porto Alegre, Brizola again supported an alliance between the PDT and the PT, chiefly in Rio de Janeiro and Porto Alegre.

The courtship with the PDT will probably not extend to Sao Paulo State, where Francisco Rossi is the party's leader. The PMDB [Brazilian Democratic Movement Party] is also ruled out because of the longstanding quarrel with Quercia's followers. Possible alliances in the state's interior may be sealed with the PSDB [Brazilian Social Democracy Party], although the PT wants to limit them as much as possible. Municipal party boards will not have authority on their own to form coalitions with the PSDB and the PMDB.

"It will be up to the party's state leadership to authorize all alliances, even in cities where the PSDB is in opposition to the federal government," explains State Deputy Renato Simoes, who will coordinate alliances in the Campinas macroregion, which includes 70 cities and 50 party boards.

In Sao Paulo's interior, where the PT has 190 municipal councilors and 10 mayors, the party boards are being told to nominate their own candidates. In municipalities where that is not possible, the PT will give priority to reconstituting the Brazilian Popular Front with the PC do B [Communist Party of Brazil], the PSTU [Unified Socialist Workers Party], the PSB [Brazilian Socialist Party], the PPS [Popular Socialist Party], the PMN [National Mobilization Party], the PCB [Brazilian Communist Party], and the PV [Vanguard Party].

The party's expectation is that the policy on alliances and the municipalities that will implement that policy will be decided at a meeting which the state party board will hold with the mayoral candidates on the 30th and 31st of this month.

Brazil: Party Control of Chamber Committees Shifts

96SM0168C Sao Paulo GAZETA MERCANTIL in Portuguese 14 Mar 96 p A11

[Article: "Fight Over Committees"]

[FBIS Translated Text] Yesterday saw the end of a bitter dispute among the deputies over the filling of spots on the permanent committees in the Chamber of Deputies. In addition to difficult negotiations among the leaders, the distribution of seats redesigned the party blocs and stirred up the organized lobbies, which fought to control their areas of interest, according to AGENCIA O GLOBO.

The Power of the Parties

Committee	Chairman	Vice Chairman
Agriculture and Rural Policy	Felix Mendonca (PFL)	Odilio Balbinotti (PPB)
Science and Technology, Communication, and Informatics	Ney Lopes (PFL)	Luis Moreira (PMDB)
Constitution, Justice, and Drafting	Aloysio Nunes Ferreira (PMDB)	Vicente Cascione (PFL)
Defense of the Consumer, Environment, and Minorities	Gilney Viana (PT)	Ivan Valente (PT)
National Defense	Elias Murad (PSDB)	Antonio Feijao (PT)
Urban Development and Interior	Fernando Zuppo (PDT*)	Ayrton Dipp (PSDB)
Human Rights	Helio Bicudo (PT)	Pedro Wilson (PDT)
Economy, Industry, and Commerce	Jose Priati (PMDB)	Elio Ronnell** (PSDB)
Education, Culture, and Sports	Moacyr Andrade (PPB)	Alvaro Vale (PMDB)
Finance and Taxes	Delfim Netto (PPB)	Francisco Dornelles (PFL)
Financial Oversight and Control	Jaime Martins (PFL)	Werner Wanderer (PSDB)
Mines and Energy	Ronel Anzio (PPB)	Salatiel Carvalho (PMDB)
Foreign Relations	Tila Lins (PFL)	Aracely de Paula (PPB)
Social Security and Family	Eduardo Mascarenhas (PSDB)	Osmanio Pereira (PPB)
Labor, Administration, and Civil Service	Nelson Oloch (PSDB)	Ildemar Kussler (PSDB)
Roads and Transportation	Newton Cardoso (PMDB)	Marcelo Teixeira (PFL)

* Democratic Labor Party

** Copy not clear

The Ruralist bloc maintained its presence on the Agriculture Committee and took over the chairmanship, which was in the hands of the PT [Workers Party] last year. The most important committee in the Chamber of Deputies—the Committee on Constitution and Justice [CCJ], which decides on the handling of all bills in that house—was turned over to the PMDB [Brazilian Democratic Movement Party]. The CCJ had been under the control of the PFL [Liberal Front Party], which this year chose to return to the Committee on Science, Technology, Communication, and Informatics, the party's stronghold. The PSDB [Brazilian Social Democracy Party] took the Committee on Labor away from the PT. The PT wanted to return to its traditional field of activity, which was in the hands of the PPB [Brazilian People's Party], but the PSDB acted more quickly to take the banner of the fight against unemployment away from the PT.

The PT was left with the Committee on Defense of the Consumer, Environment, and Minorities and the Committee on Human Rights.

Chile

Chile: Government-Coalition Strengthen Relationship

PY2803003096 Santiago EL MERCURIO in Spanish 23 Mar 96 pp C1, C10

[FBIS Translated Excerpt] Vina del Mar — After a 2-day meeting to assess the situation, the government and the member parties of the Coalition of Parties for Democracy [CPPD] improved their relationship, seeking to reinforce the governing pact and overcome internal discrepancies regarding socio-economic policies implemented by the executive branch.

The meeting was held at the exclusive Renaca Conventions Hall in response to CPPD party leaders and legislators' demands to political ministers to overcome the differences and improve the government political leadership. This comes in light of the upcoming municipal elections (scheduled for October) and parliamentary elections (scheduled for 1997). [passage omitted]

President Eduardo Frei, who opened the event, outlined the great tasks of the third year of his government and addressed a clear message to the CPPD: He asked it to enhance the technical capacity of its member parties so as to seriously discuss the details of public policies and not only just general principles; as well as to act in a responsible manner and not load the political agenda with artificial conflicts.

Later, during a session behind closed doors during which 18 speeches were made, politicians and legislators harshly criticized and engaged in self-criticism, demanding a systematic and institutionalized dialogue. Senator Carmen Frei (head of the DC [Christian Democratic Party] committee) appealed for an end to internal

differences with determination and courage. She said "mutual distrust is gnawing us," and then made a proposal to "readdress" our relationship as a coalition. [passage omitted]

Although there were disagreements, there were also agreements when it came to noting the achievements of the two CPPD governments, and the need to continue to seek effective public policy instruments to control the changes related to some less fortunate social sectors and how to generate, based on those policies and the country's growth, fair opportunities for all to benefit from development.

It was said that the CPPD emerged "much stronger" from the meeting and considers itself the "only real and effective political leadership alternative for the country," due to the internal political crisis affecting the center-right. It was even stated that the opposition is currently facing a greater political disorder without the capacity of making a proposal or of agreeing with the government on various issues and the country's development.

The government sensed it enjoys coherent CPPD support for President Frei's basic working guidelines for 1996.

Political leaders and legislators agreed to continue to promote "the government's modernizing proposal" which basically entails strongly promoting growth with equity and the construction of basic facilities in the infrastructure and education fields through a joint effort by the private and public sectors.

The need to maintain, project, and reinforce the government's action in key areas such as health, the readjustment of production development, the regulation of monopoly markets, investments in technology, and the regionalization and municipal administration, was also noted.

The meeting also discussed various subjects of a cultural nature related to freedom of expression and work in various sectors of Chilean culture which are also a matter of concern.

Closing the event the interior minister noted that despite its diversity and some disagreements, the CPPD is a great force because it still fully agrees on the economic achievements of the past six years; on the working programs for growth with equity that must be strengthened; that the transition has not been completed; and that, therefore, emphasis must be placed on the need for constitutional reforms to be able to complete it and fully return to democracy.

Regarding the latter issue, the CPPD agrees on the existence of two rightist sectors, one which was praised and even said it should work "with us." Reference was made to the speeches by Deputy Alberto Espina and National Renewal Chairman Andres Allamand.

Finally, the government and the CPPD approved a proposal by Senator Sergio Bitar (PPD [Party for Democracy]) to create an internal assessment group.

Chile: Opposition, Coalition Disagree Over Mercosur

PY2703165896 Santiago EL MERCURIO in Spanish 23 Mar 96 p C2

[FBIS Translated Excerpt] Chile's imminent agreement with Mercosur [Common Market of the South] has spurred internal disagreements both within parties of the CPPD [Coalition of Parties for Democracy] and the opposition, thus confirming that this is an issue that goes beyond traditional party positions and attitudes.

While some political leaders uphold that the entire country will reap considerable benefits, others insist that the negotiations have been conducted in a wrong manner and that Chilean agriculture will pay a very high price.

Those who support the agreement, among them Senator Sebastian Pinera from the National Renewal [RN] party, have stated that Mercosur encompasses a market of 200 million, that is, 15 times more than the Chilean economy, and that it has a great future.

In addition, they claim that Chilean agriculture in general will also benefit from Mercosur because instead of being a competitor, it will offer a great market opportunity for many agricultural areas. Among them are fruit exports, which represent 30 percent of agricultural production; horticulture, representing 12 percent of agricultural production; forestry, representing 12 percent; and the wine industry, representing 9 percent.

According to these same sources, the agricultural areas that will be most affected by this will be traditional agricultural areas, such as wheat, rice, and green vegetables. These represent 18 percent of the agricultural production and 7 percent of the GDP, that is 1.26 percent of the national economy.

Those legislators from different political parties who oppose the agreement allege that there will be a considerable hike in unemployment in agriculture because at least 200,000 producers will be affected.

The Independent Democratic Union [UDI] is until now the only political party that has unanimously rejected the manner in which Chile has conducted Mercosur negotiations. According to UDI Senator Hernan Larrain an important economic area has been left unprotected.

He believes that although it is inappropriate, the treaty should be debated [revisado] in Congress.

In addition, Larrain believes that it is necessary to adopt compensatory measures for Chilean agriculture.

Internal Difference

The Christian Democratic Party [PDC] and RN are the parties experiencing more internal differences over this issue.

Although the PDC has expressed its official support for the negotiations of the Chilean agreement, the PDC agriculture and rural affairs political-technical commission yesterday raised questions concerns about it.

PDC Vice President Jorge Pizarro has reasserted his party's position regarding Mercosur by stating that the PDC has issued its support for the treaty negotiations because it is encompassed in the integration process proposed by the CPPD administration. [passage omitted]

RN is experiencing a similar situation. There are party groups firmly defending the agreement while some official instances have raised some questions.

Senator Sebastian Pinera has asserted that Chile's entrance in Mercosur signifies an enormous benefit for the Chilean economy and consequently a greater well-being for Chilean citizens.

He added that he fully agrees with the economic development strategy that Chile has been following over the past 20 years which promotes a free, open, and competitive market economy.

Chile: Government To Compensate Uncompetitive Farmers

PY2703165496 Santiago EL MERCURIO in Spanish 23 Mar 96 pp A1, A27

[FBIS Translated Excerpt] Vina del Mar — The government will pay compensation to the agricultural groups that are willing to change businesses because they cannot compete and will be hurt by the Chilean entry into Mercosur [Common Market of the South] after Chile reached an agreement with this organization the night before last in Colombia.

The government will take over the challenge to include this problem into its social policy and in the programs to overcome poverty.

This commitment was reiterated by the highest government officials during a meeting with leaders of the Coalition of Parties for Democracy held on 21 March in Renaca. The government goal is to help the poorest sectors of the national economy, especially traditional farmers, by creating conditions for them to take advantage of the benefits offered by Mercosur.

The effort will be made based on current plans but with a clearer meaning and will be carried out within the framework of the strategic planning programmed by the Social Interministerial Committee. A study will be carried out in the main regions of the country to be affected by the loss of competition, especially in the production of traditional agricultural products such as wheat, corn, rice, meat, and some dairy products.

Agriculture Minister Emiliano Ortega, who considers his ministry as "the most affected" by the agreement with Mercosur, believes that from the government point of view this problem must be faced by paying a "compensation for the change" (or retooling). [passage omitted]

Chile: Pinochet's Presidential Candidacy Ruled Out

PY2703024296 Santiago LA TERCERA DE LA HORA in Spanish 23 Mar 96 p 11

[Report by Alfredo Gonzalez P.]

[FBIS Translated Excerpt] Leaders of the National Renewal Party [RN] and of the Independent Democratic Union [UDI] have ruled out the possibility of Army Commander General Augusto Pinochet agreeing to run for the presidency of the Republic, as suggested by retired General Jorge Ballerino.

RN Vice President Alberto Espina has stated that "this allegation tarnishes General Pinochet's image, considering that he was a very successful president. He is more than 80 years old, and I am convinced that he has gained a relevant place in Chilean history. However, I find incorrect the attempt to misuse his name by saying that he might be a presidential candidate." [passage omitted]

Chile: Government To Continue Stressing Reforms

PY2703020296 Santiago EL MERCURIO in Spanish 23 Mar 96 p C7

[FBIS Translated Excerpt] Jose Joaquin Brunner, minister secretary general of government, yesterday asserted that the government is going to continue stressing the subject of the constitutional reforms because it believes they are necessary for the country's development and for the stability of the democratic system.

Brunner asserted that amending the Constitution is the only democratic way of making progress in this sense.

Regarding retired General Jorge Ballerino's comment that the amendment of the Constitution would leave the Armed Forces without the necessary tools to fulfill their

role as guarantors of the institutional system and would leave them no other path than the use of force, Brunner said that those statements only reflect the feeling of a minority with a scarce political representation, that yearns for the past and does not understand what a modern democracy represents.

He added that these are only things of the past, of ghosts still looming on the horizon. He added that, ultimately, these statements will represent nothing but a dot in history.

Brunner made these statements as he disclosed the conclusions of a working meeting held by the government with the Coalition of Parties for Democracy in the Renaca Convention Hall.

In the opinion of Socialist Party Chairman Camilo Escalona, Ballerino's comments on the constitutional reforms and the non-existence of de facto powers were "completely groundless."

Escalona said that his proposal to modify the National Security Council does not eliminate the possibility that the Armed Forces voice their opinion within the council; it only eliminates the right to vote of the commanders in chief, which, in his opinion, resolves a deficiency whereby the president could be defeated by those votes. This deficiency, he said, represents a sort of coup against the country's institutional stability. [passage omitted]

Jorge Pizarro, vice chairman of the Christian Democratic Party, believes that there is a close relationship between these statements and the crisis currently affecting the rightist sector. He said: "When one hears people like him, one understands what the National Renewal [RN] Party chairman meant when he referred to de facto powers that act and have a very bad influence on the rightists' political leadership."

In addition to terming Ballerino's statement "extremely grave and a yearning for the past," Pizarro said that his ideas clearly reflect the feeling of the most conservative rightist sectors that belong to the UCCP [Progressive Center Center Union], the UDI [Independent Democratic Union], and some RN factions.

In the deputy's opinion, the real problem of the rightist sector is that there is a sector with nostalgia and ties to the past, whose thoughts are represented by Ballerino, and another progressive sector that seeks to attain full democracy.

Chile: Frei on Visit to Brazil, Development Issues

PY2703224496 Sao Paulo GAZETA MERCANTIL in Portuguese 22-24 Mar 96 p A4

[Interview with President Eduardo Frei Ruiz-Tagle by Maria Helena Tachinardi at La Moneda Palace in Santiago on 18 March]

[FBIS Translated Excerpt] [Tachinardi] Where will Chile go after all you have done in terms of economic and trade opening? Which macroeconomic reforms must still be carried out?

[Frei] All of the country figures are extraordinarily positive. For the first time in the last 40 years we have had an economic growth rate higher than the inflation rate; an unemployment rate lower than 10 percent; a low inflation rate; levels of savings and investment totaling 28 to 30 percent of the GDP, such as the country had never known before; and a very low foreign debt. In the last few years, we have also had a fiscal surplus. The administration has been cooperating with 5 percent of the GDP to national savings, and we have high levels of national and foreign private investment. This means that we are in a condition to conduct social tasks with much more strength and to integrate all marginal areas into our society's life. This is basically possible due to the country's efforts. Nowadays, we no longer depend so much on credit and on foreign assistance. We depend on our domestic effort, and this allows us to visualize the future in a much more optimistic and dynamic manner. By having a healthy economy and clean macroeconomic accounts, we can accelerate the social area's development. This is why, currently, 70 percent of the fiscal budget is allocated to social projects.

[Tachinardi] Do you think that by 2010 or 2015 Chile will be a developed country?

[Frei] If we are able to maintain our current levels of growth and development, we will evidently achieve that goal. In the last 10 years, we have had an average growth of more than 6 or 6.5 percent. Last year, we grew 8.2 percent, and this year we hope our growth rate will also reach high levels. In addition, we have strongly reduced our levels of poverty. Some years ago, 38 to 40 percent of our population was poor, and this percentage has been reduced to 25 percent. If we maintain these two goals — on the one hand, an accelerated economic growth and new investments, which result in more jobs, and, on the other hand, strong stimulus to the social area in order to integrate our people into the development process, I believe that we can look to the future with optimism. [passage omitted]

[Tachinardi] Within the context of your administration's foreign policy, how important is your visit to Brazil?

[Frei] President Fernando Henrique Cardoso's invitation for an official visit is for us reason for pride and satisfaction. President Cardoso visited Chile last year and we want to deepen the ties of friendship that have been binding our two countries for many years, particularly because this friendship is being consolidated in all areas. Trade exchange has increased greatly; Chilean entrepreneurs are very interested in investing in Brazil; and we have a great deal of interest in discussing routes that may link the Atlantic Ocean to the Pacific Ocean, transportation, and culture.

[Tachinardi] Foreign Minister Jose Miguel Insulza said that your visit to Brazil, together with the one you will pay to Argentina, is the most important one this year....

[Frei] Yes, it is a very important visit, particularly because Chilean foreign trade with all the countries of the Southern Cone has increased very much and there is a very important current of investment. We ponder a great deal about our relations with the neighboring countries within the context of a globalization of markets and of Chilean presence in international markets. From this point of view, my visit to Brazil clearly proves our will to have much more fluid and permanent relations with all the countries of the Southern Cone, especially with Brazil, due to the country's importance, its population, and its development.

[Tachinardi] Do you believe that an agreement between Chile and the Common Market of the South [Mercosur] can be reached during this visit?

[Frei] No, this is not the moment. It is a bilateral visit, but we will evidently talk about all the Mercosur topics and about globalization. Negotiations with the Mercosur have been under way and there is a political decision to advance it further. Naturally, this is also an important moment to discuss this topic. [passage omitted]

[Tachinardi] You have been trying to obtain approval of a law seeking to solve the human rights problems and have been finding difficulties in Congress obtaining such approval. Do you think it will be possible to implement changes in this area, and even implement other constitutional reforms?

[Frei] We have presented to Congress a set of initiatives, a plan for national reconciliation that includes matters on human rights and constitutional reforms. We have been discussing these topics with the opposition parties, and have reached an agreement with them. The issues are now being debated in Congress. We consider this set of initiatives essential to enable us to consolidate our democracy and advance in the field of national reconciliation. We think it is appropriate that the congressmen give their opinion on these issues and vote on the bills because this is how a country advances in a democratic system. [passage omitted]

[Tachinardi] Chile is a very politicized country and has strong political parties, unlike Brazil. Here in Chile everyone is constantly talking about the right, the left, the center-right, the center-left. In your opinion, are there chances that the "coalition" will continue governing after the next elections through a socialist candidate, such as Ricardo Lagos (public works minister), with the support of the Christian Democratic Party, or will the party you belong to have its own candidate, such as Alejandro Foxley (president of the Christian Democratic Party)?

[Frei] You will have to ask this question to the political parties. It is not fitting for the president of the Republic to define the candidates for elections that will be held in four more years. First of all, we are in 1996. I believe that it is not right to talk about presidential candidacies right now. The country has its tasks, its rhythm. This year we will have municipal elections.... Each thing has its own time. This is a debate we will have to hold in 1999. From our point of view, we represent a coalition that has become government, that has restored democracy in Chile, that is becoming increasingly more consolidated. We believe that our system is a great government alternative, because it combines modernization with social justice. We have received important support from the people. I was elected with 58 percent of the votes. This has been the highest number of votes in Chilean history for many years. We continue working within the "coalition" because we believe that part of what we call modern times is to have administrations solidly supported by political coalitions. Our decision is that this coalition, which is perhaps the most successful coalition in the country's recent history, should be preserved and strengthened in the next few years. This is why we are the government, we are part of a coalition, and why we will continue to work for that. The parties' decision will be to elect their candidates.

[Tachinardi] Now I will ask a historical question, Mr. President. What is your opinion, your thoughts, about the Allende period? What were its positive aspects, and its mistakes?

[Frei] I believe that what is important is to understand that in Chile, at the beginning of the decade of the 1960's, we had all kinds of administrations. We had leftist administrations, centrist administrations, a military administration, the "coalition" of parties for democracy.... Our obligation is to rescue the positive aspects of all administrations. We evidently reached a very difficult situation, a very complex situation that resulted in

a coup d'etat, which lasted for many years. The protagonists are still alive; therefore, there are different opinions about the issue. It is up to me as the president, however, to rescue the political processes, the positive aspects of the country, and to project them into the future. I have been elected to govern the country from 1994 until the year 2000, to prepare the country for the next century. Historical characteristics and the judgment history will pass on us are more long-lasting and deeper, particularly because all the protagonists are still alive. The important thing is to be able to plan for this country. We have lived through all types of experiences and have now created a great unity and gubernatorial coalition that has been giving political stability to the country. And this is what we are interested in preserving and intensifying as time goes by.

Chile: Santiago University Aids Satellite Construction

PY2703204596 Santiago EL MERCURIO in Spanish 25 Mar 96 p C8

[FBIS Translated Excerpt] Representatives of the Santiago de Chile University (Usach) and of the Foundation for the Development of Satellites of Service for Ham Radio Operators (Amsat-CE) have signed an agreement for scientific-technological support for the design, construction, testing, launching, and operation of the Cesar-1 Satellite for the use of ham radio operators.

The agreement states that the Usach will be in charge during the second half of the current year, through the Engineering School and its academic departments, of the control of quality and of measuring the rate of electric and electronic components, as well as tests on temperature, vibration, and vacuum of components, subgroups, and groups.

They also agreed to build in this university the parts and mechanic pieces, while existing software will be updated.

The Usach will also provide for the satellite operation during the working hours of teachers, officials, and students, and will also use its own instruments, machines, and installations.

The device will be 23 centimeters in length and weigh between 11 and 15 kilograms. It will be at an altitude of 800,000 meters on a polar orbit and its life span is estimated at six years. The total investment for the preparation of the radio-communications device will be $400,000.

It will be designed to receive and transmit information, to compress voice messages, and to calculate orbitographic and gravimetric rates — referring to the orbit of the bodies in space and the gravity of the planets, respectively.

Cesar-1 will have the ground support of a system of repeating antennas which will allow satellite communications using simple "walkie-talkies" among users in an area 6,000 km around. [passage omitted]

Chile: Israeli Minister Signs Cooperation Agreement

PY2703205096 Santiago EL MERCURIO in Spanish 25 Mar 96 p B6

[FBIS Translated Excerpt] Israeli Agriculture Minister Ya'aqov Tzur has said Chile and Israel could achieve cooperation agreements over fruit exports to Europe which may be to mutual advantage. During his four-day stay in Chile at the head of a delegation of Israeli businessmen and experts, Ya'aqov Tzur signed a cooperation agreement to develop agriculture while members of his entourage discussed eventual business transactions.

Ya'aqov Tzur said: "We do not compete with Chile because our summer is at different times of year. In fact, we complement each other. We believe that if our two countries export identical products throughout the year to the same European markets, producers may program a more solid offer than at present. Competition has increased in a very short period of time but we can eliminate it while guaranteeing that Chile and Israel will supply fruit to Europe throughout the year. When one guarantees a product throughout the year, one becomes in a better position. This is one of our most fervent aspirations." [passage omitted]

The agreement signed by Ya'aqov Tzur and Chilean Agriculture Minister Emiliano Ortega encompasses the development of agriculture in family farms, the introduction of integrated irrigation and nutrient methods, the improvement of milk production in cows and sheep through the use modern technology and genetic development, the diversification of dairy products, and cooperation in the exchange of genetic resources, particularly regarding cereal grains and fruit. [passage omitted]

Chile: Government Praises Signing of Rarotonga Treaty

PY2703214196 Santiago EL MERCURIO in Spanish 26 Mar 96 p C2

[FBIS Translated Text] The Chilean Government yesterday expressed satisfaction over the fact that the United States, the United Kingdom, and France have signed the protocols of the treaty declaring the South Pacific a nuclear-free zone. This is known as the Rarotonga

Treaty. In a communique issued by the Chilean Foreign Ministry, the government "positively acknowledges" the step taken by the mentioned countries because Chile has traditionally upheld the establishment of nuclear-free zones due to the contribution this type of initiatives represents to the denuclearization process.

For this reason Chile signed the Antarctic Treaty (1959), the first international tool creating a nuclear-free zone, and later the treaty banning nuclear weapons in Latin America (1967). This is known as the Tlatelolco Treaty, which establishes an unprecedented inhabited nuclear-free zone. It has also contributed to the initiatives to create new nuclear-free zones in Africa and Southeastern Asia, Pelindaba, and Bangkok, respectively. The Rarotonga Treaty was signed on 6 August 1985.

Chile: No Turning Back Regarding Mercosur Agreement

PY2803014596 Santiago EL MERCURIO in Spanish 26 Mar 96 pp A1, A11

[By Maria Jose Errazuriz L.]

[FBIS Translated Excerpt] Brasilia — Commenting on the upcoming signing of a bilateral economic agreement with the Common Market of the South, Mercosur, President Eduardo Frei said there is no turning back in this process.

The Chilean president thus rejected any possibility that the administration may reconsider agreements achieved with Brazil, Argentina, Uruguay and Paraguay which will become effective once they are signed within 90 days.

Explaining that there are still some pending issues to be defined during the drafting of the agreement, which is underway, Frei said some areas of the economy must become more competitive.

He said his administration will grant full support for this readjustment process, which will particularly affect Chile's traditional agriculture sector. He urged the country to support it.

On his second day in Brazil, Frei was compelled on several occasions to acknowledge that some Chilean agricultural groups have rejected the agreement achieved with Mercosur because customs tariffs on very sensitive products will be lifted within 18 years.

Stressing that almost 95 percent of Chilean business groups support the agreement, Frei said: "Not one important agricultural business leader has failed to clearly support the Mercosur agreement."

President Frei, on his first day of official activities, and accompanied by Foreign Minister Jose Miguel Insulza, Economy Minister Alvaro Garcia and Defense Minister Edmundo Perez Yoma, met with President Fernando Henrique Cardoso and attended a special session of the Supreme Court.

During these meetings, Chilean officials expressed their desire to strengthen bilateral ties at the political, economic, and cultural levels in keeping with the current regional integration process.

Moreover, the Chilean and Brazilian Governments signed two memorandums of understanding and four cooperation agreements encompassing diverse areas like agro-industry and movie productions.

The signing of a bilateral agreement with Mercosur, which will be enforced as of 1 July and which implies that Chile will have access to a market of more than 200 million people, was the main issue discussed during the meetings in Brasilia.

The media has expressed interest in the issue and noted the fact that Ernesto Correa, chairman of the Chilean National Agricultural Association, is not a member of the official entourage.

Chile's entry in Mercosur means 20 percent of Chilean exports will enter the four member countries with a zero custom tariff while another 50 percent of Chilean products will have their current custom tax cut by half.

Frei, who permanently stressed that the agreement has yet to be signed, lauded the importance of this step within the framework of economic integration and globalization.

He said that when negotiating an agreement like Mercosur or a bilateral agreement, those involved must make some sacrifices, establish timetables to lift custom tariffs, and undertake retooling whenever production areas are not competitive.

Frei added: "We believe there is no turning back in this process; and, therefore, we must face the challenge."

Frei categorically asserted that with or without Mercosur, Chilean traditional agriculture will face serious competition problems in the next 15 years and that, therefore, the requirement for retooling is not only caused by the Mercosur agreement.

He said: "The real situation affecting agriculture has nothing to do with agreements because competition is a fact and we must adapt to the situation."

Regarding criticism, Frei acknowledged there must be diverse and varied opinions about such a complex issue but asserted that 95 percent of business leaders ranging from the CPC [Production and Trade Confederation

or Sofofa [Industrial Development Association]; opposition and ruling political parties; have expressed support because they believe the agreement will yield beneficial results.

Bilateral ties with Brazil yesterday were strengthened even further after the Chilean and Brazilian Governments established an annual political consultation mechanism at the presidential level. This consultation mechanism will also include the currently-enforced meetings at the foreign minister and deputy foreign minister levels.

The two presidents will hold another meeting in 1997. They issued a joint declaration in which they state that existing bilateral ties reflect the high degree of understanding on international issues, such as their participation as guarantor countries in the Peruvian-Ecuadoran conflict.

The joint declaration reflects their willingness to maintain permanent cultural ties and to intensify negotiations to update the bilateral air transportation agreement.

The agreements signed by Foreign Ministers Jose Miguel Insulza and Luis Felipe Lampreia seek cooperation between the diplomatic academies, to undertake joint movie productions, as well as scientific and agricultural technological cooperation.

The two governments also expressed support for contacts between Chilean and Brazilian businessmen, seeking to establish joint ventures and making new investments that will be subject to the agreement on the promotion and protection of investments that will be promulgated soon.

In addition, Frei referred to the opening of some Brailian production areas over the next few months, among them electricity and telecommunications, which have attracted the attention of Chilean businessmen.

Frei said he discussed with Cardoso that fact that Chile may be a bridge country to the Asia-Pacific region and expressed Chile's hope that foreigners will participate in the modernization of Chilean highways, ports, airports and railroads.

He added: "There is great complementation between Chile and Brazil in the industrial, manufacturing and agro-industrial areas." [passage omitted]

Colombia

Colombia: Senate Recommends Removal of U.S. Envoy

PA2803024996 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2330 GMT 27 Mar 96

[From the "RCN Radio Events" newscast]

[FBIS Translated Text] The Senate of the Republic recommended tonight to the government of President Ernesto Samper Pizano to protest before his U.S. counterpart over the offensive statements of its Ambassador to Bogota, Myles Frechette, and to request his replacement as head of that country's diplomatic mission.

The initiative of the plenum of that legislative body received only one nay vote. The Congress of the Republic recommended to the national government to urgently send a protest note to the United States of North America and at the same time to request a change of U.S. ambassador to our country, the proposal presented by Senator Jaime Ortiz Hurtado stated.

It added that the legislative branch considers the statements of Frechette as a clear, grave, undue, and inadmissible meddling in the country's internal affairs that violate the principles of international law that regulate relations among the peoples.

Colombia: Prosecutor Says Samper's Remarks Inappropriate

PA2603200996 Medellin EL COLOMBIANO in Spanish 22 Mar 96 p A7

[FBIS Translated Text] Santa Fe de Bogota — Prosecutor General Alfonso Valdivieso deemed inappropriate President Ernesto Samper's remarks after learning that three of his ministers were connected to the Case 8000.

Valdivieso has insisted that the role of the government is to govern and that if the prosecutor's office is to investigate, and as long as the two powers respect one another, the country will notice improved results. "I heard the president's remarks admonishing the Prosecutor's Office, saying we should worry about trying drug traffickers instead of concentrating on ministers and officials," the Valdivieso said.

According to Valdivieso, Samper's remarks are an indication that Samper is misinformed about the progress being made in prosecuting drug-trafficking organizations and the people connected with them.

Valdivieso reaffirmed that for the good of the country, there should be no interference between state powers and he assured that "just as the Prosecutor's Office has not commented on the administration's performance,

remarks by the administration should not cast a veil of doubt over the Prosecutor's Office."

Fight Against Drug Trafficking

The prosecutor general reasserted that the results of Colombia's drug war are insufficient and added that the international community is in a similar situation. He said that better results can be achieved by joining efforts.

Valdivieso spoke with reporters and was asked about his position on the results of the war on drugs. He said that "Colombia lacks the authority to complain to the United States."

"I have stated before that Colombia's actions in counter-drug trafficking are insufficient, and this also applies to the international community," the prosecutor general stated.

Valdivieso reiterated that the struggle against the drug-trafficking phenomenon has been insufficient, though "not to disregard the efforts by many individuals, some who ended up being sacrificed."

According to Valdivieso, it is important to recognize that the efforts made have not fallen short of what can be done, and the results, of course, can improve. [sentence as published]

The Inquiry Against Him

On the attorney general's decision to shelve another inquiry against him, Valdivieso said that it is normal for the Attorney General's Office to investigate the actions of a public official and for some investigations to end in indictment and others in acquittal.

"In my particular case, while I headed the Education Ministry and in other posts I have since held, my actions are open for investigation if the situation warrants," Valdivieso stated.

He also does not believe that Attorney General Orlando Vasquez Velasquez has it in for officials of the prosecutor's office. It is just standard operational procedure.

When Valdivieso was asked about the Attorney General's Office investigation of Assistant Prosecutor General Adolfo Salamanca, which ended up as a penalty request in his office, Valdivieso said that "simply stated, since they found some charges admissible, I made the final decision, and the Prosecutor's Office decided that all charges were inadmissible.

The prosecutor general concluded by saying that the procedures are normal and not all investigations have to necessarily end in an indictment.

Colombia: Gaviria Meets Samper, Discusses Crisis

PA2503222496 Santa Fe de Bogota EL TIEMPO in Spanish 22 Mar 96

[Report by Ismael Enrique Medina, special envoy in Cartagena — received via Internet]

[FBIS Translated Text] OAS Secretary General Cesar Gaviria has said he firmly believes the Congress will be capable of clarifying the political crisis the country is experiencing.

He said it does no good to dismiss the Congress beforehand, as this harms the institutions. He insisted that it is there where the issues must be clarified and where the president must have the opportunity to explain his viewpoints and defend himself.

He reiterated that to President Ernesto Samper Pizano, with whom he held a breakfast meeting where they discussed the country's political situation and FTAA [Free Trade Area of the Americas] goals. Samper Pizano listened to some of the recommendations by Gaviria and offered his alternatives.

The OAS secretary general told the president he believed in the work by the Congress and that this is the venue where the political responsibilities must be separated from the problems of a legal nature.

He said that the debate held in the Congress must enrich democracy and make Colombians understand what is happening, although he admitted that it will not be easy to achieve it.

He said that the venue of the Congress is being dismissed and there is talk of polls and opinions by the people without taking into consideration that the Congress is the venue that the Constitution provides.

"We must try to learn to use that mechanism, since it has the task of making a decision that all can abide by and respect," Gaviria stressed.

"Colombians, now more that at any other time, must adhere to the constitutional means. There is no other true path," he insisted.

"We discussed our opinions on the difficulties. For instance, I agree with the necessity of separating the political crisis from the economic consequences," the former president remarked.

He said he told the president of his views in his status as former head of state, member of the ruling party, and OAS spokesman.

It was in this status that Gaviria gave him solutions that he feels may overcome the crisis and listened to the

alternatives that Samper Pizano offered him and that, he explained, will be announced later.

Gaviria did not confirm the rumor that he had talked with Samper Pizano about the possibility of moving up the elections.

The former president said he expected the Chamber of Representatives will hold a clear debate that enlightens and informs the country.

I Do Not Get Involved

Gaviria did insist that he neither wishes to, nor can he become involved in Colombia's domestic politics, at least not for as long as he is in the OAS.

In explaining he does not belong to any group of conspirators, he said he saw many journalists and leaders trying to get him mixed up in Colombian politics when they say he is the leader of a group and that certain actions of his are headed in that respect.

"I am totally removed from Colombian politics, and I do not go beyond what I think is my obligation to support its democracy and try to keep the public language from becoming aggressive," he explained.

He insisted that he has not uttered a word or expressed any opinion that could offend anyone in this process the country is going through.

He added that his obligation as OAS secretary general is to preserve democracies.

"I must not overstep my role. I cannot get involved in matters of Colombia's domestic politics, and will continue this way for as long as I am the OAS secretary," he said.

Regarding the decertification, Gaviria reiterated his disagreement with the decision but explained it places Colombia in a vulnerable situation and allows mistrust to grow among foreign investors.

According to Gaviria, a decision such as this raises a question from a international standpoint to which we must seek a solution, and summons us to reflect on topics such as the policy of justice.

Colombia: Santander Governor Rejects Samper's Proposal

PA2603121096 Santa Fe de Bogota Radio Cadena Nacional in Spanish 1700 GMT 22 Mar 96

[From the "RCN Radio Events" newscast]

[FBIS Translated Text] Santander Department Governor Mario Camacho Prada, who was a coordinator of the Samper campaign in this department, has made statements to RCN on the proposal by President Samper to hold early presidential elections in Colombia.

[Begin recording] [Camacho Prada] I disagree with this proposal. If the president acts with patriotism, and thinks of Colombia's greatness — to expedite a solution to the current crisis once the Chamber of Representatives decides on his situation — I believe an institutional change established by the Constitution mandates that the vice president of the Republic should assume the presidency. The country cannot be subjected to a process of deterioration at this critical moment of national life by calling for new elections.

I, personally, believe that Vice President Ernesto de la Calle must assume, within a peaceful institutional process, the reins of the country.

[Unidentified reporter] Mr. Governor, do you believe that the Case 8000 was handled as a political process?

[Camacho Prada] I cannot assess how the process has been handled because, fortunately, I am not part of this process, nor I am aware of the process' details. But I must say that the prosecutor general is a man committed to the independence and greatness of Colombia. I have known him for years as an honorable and absolutely impartial individual. I believe that under those conditions the Case 8000 must have been handled observing the principles of justice and clarity. [end recording]

Colombia: Botero's Lawyer Says Money in U.S. Legal

PA2603224596 Madrid EFE in Spanish 2108 GMT 25 Mar 96

[FBIS Translated Text] Santa Fe de Bogota, 25 Mar (EFE) — The funds withdrawn from former Minister Fernando Botero's bank accounts in the United States and contributed to the campaign of now President Ernesto Samper in 1994 were from the Cali cartel, Botero's lawyer Fernando Londono said today.

Botero's counsel for the defense added that only the president knows where the Cali cartel's contributions went. The Cali cartel reportedly contributed $6 million to Samper's electoral campaign.

This was Londono's response to Samper's lawyer, Luis Guillermo Roa, who last week said that Samper had not been aware of the entry of "hot" money into the campaign because Botero and Santiago Medina had pocketed it.

Botero, who directed the campaign, and Medina, who acted as treasurer, are Samper's main accusers.

According to Londono, Botero managed the resources contributed by three legal enterprises through three

accounts that Botero's family had opened in branches of the Bank of New York and the Morgan Guaranty Trust.

This money, a total of 1.8 million, was earmarked for the Liberal Party's regional treasuries and to pay for publicity and public relations on instructions from Samper and Horacio Serpa, Samper's political debate director and current interior minister.

Londono said: "Samper and Nieto Roa must be unruffled because they did not steal the Cali cartel money."

Londono added that Samper and his lawyer "surely must have carefully calculated how much their friends and Cali cartel capos Miguel and Gilberto Rodriguez Orejuela delivered in cash to the campaign's middlemen."

Botero's counsel for the defense continued to say that, had mafia money entered the former defense minister's accounts, U.S. authorities would have detected irregularities and frozen the deposits.

Londono said that, of the nearly $2 million deposited at the Bank of New York and the Morgan Guaranty Trust, $650,000 went to Rodrigo Pardo, in charge of the campaign's publicity and current foreign minister.

Another $200,000 were used to pay U.S. public relations advisers, Botero's counsel for the defense also said.

The rest, nearly $1 million, was sent to "friends of Serpa and Medina" — meaning regional treasurers — through cashier's checks issued by Banco de Colombia in Panama, to which this amount had been transferred from the New York banks.

"This is clear. What remains to be clarified is whether those contributions reached regional treasuries in the last stage of the of the runoff election (in June 1994)," Londono said.

Regarding the spectacular increase in the monthly balances of Botero's accounts in the electoral stage in 1994, Londono argued: "It is possible that, in addition to the campaign money, the personal resources of Master Botero (sculptor and painter, father to the former minister) entered the campaign in the form of works of art."

Samper's lawyer, on the other hand, reaffirmed that the increased balances "strangely" coincided with Treasurer Medina's trips to Cali, where he reportedly received the Cali cartel's money.

The documents on the account deposits, made public last week, revealed that the monthly balance increased from $70,000 to $2 million between December 1993 and June 1994, and this amount increased to nearly $4.5 million in the past 60 days.

Colombia: Mogollon Says Congress May Question Samper Again

PA2703174096 Madrid EFE in Spanish 0038 GMT 27 Mar 96

[FBIS Translated Text] Santa Fe de Bogota, 26 Mar (EFE) — The questioning to which Colombian President Ernesto Samper was submitted today lasted 10 hours. During that time the president answered questions from Congressman Heyne Mogollon, who is the government attorney handling the investigation of the president's alleged use of drug-trafficking money for his campaign.

Representative Mogollon said that after evaluating Samper's answers he is not dismissing the possibility of holding a third session of questions for the president (the first was in September 1995).

Neither did Mogollon dismiss the possibility that the congressional committee he chairs may question Interior Minister Horacio Serpa, Foreign Minister Rodrigo Pardo, and Communications Minister Juan Manuel Turbay in connection with the same case. Starting tomorrow, the three ministers will also begin their depositions before a committee of prosecutors.

(Santa Fe de Bogota Emisoras Caracol Network in Spanish at 1700 GMT on 26 March aired a 34-second report according to which a source consulted by the radio station disclosed that "the president has presented new evidence that undermines, one by one, the charges leveled against him by former Defense Minister Fernando Botero Zea." Before entering Narino Palace, Government Attorney Heyne Mogollon Montoya assured this station that "sanctions will be considered for former Defense Minister Fernando Botero if he insists on refusing to testify in the proceedings against President Ernesto Samper.")

Colombia: Samper Discusses Botero, Medina Appointments

PA2703150196 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 27 Mar 96

[From "Caracol's 0600 to 0900" newscast]

[FBIS Translated Text] Santa Fe de Bogota — During yesterday's inquiry at the Narino Palace, President Ernesto Samper admitted that he made a mistake when he appointed Fernando Botero Zea as his defense minister. He said that he now does not know if Botero requested that position to defend public order or to provide a cover for himself.

In one of the depositions Samper delivered to Investigating Congressman Heyne Mogollon, the president states:

I do not know now if Botero was being altruistic and wanted to defend public order when he insisted that he be appointed defense minister or if wanted to use that position to cover up his activities, which he himself recently exposed.

The president also reported that he did not appoint Santiago Medina as an ambassador to a European country because Attorney General Alfonso Valdivieso told him in October 1994 that the former treasurer of the Liberal Party's presidential campaign could be involved in irregular activities and operations.

I decided then to relieve him from all government positions and ordered that he not be appointed to any post, the chief of state said.

Colombia: Government, Firms To 'Tone Down' Statements

PA2603045396 Santa Fe de Bogota EL TIEMPO in Spanish 22 Mar 96

[Report by Ismael Enrique Medina — received via Internet]

[FBIS Translated Text] Cartagena — Businessmen and the government have reached a pact on truth and have invited politicians, the media, and society in general to participate.

The purpose is to tone down statements made by various sectors, who say that the political crisis is the primary, or even the only reason behind the slowing down of the economy.

Business associations said they will maintain a critical stance, but they agreed to help sell the idea that the coffee crisis, the recession in the construction sector, and current interest rates also have a great influence on the difficult situation.

Meanwhile, the government agreed to provide more information, not to avoid being questioned, and to take specific measures aimed at fighting contraband and reactivating the construction sector and coffee production.

During a breakfast held at the Hilton Hotel in Cartagena, 10 business leaders and Finance Minister Guillermo Perry Rubio reviewed the country's economic situation and concluded that even though there are symptoms of a recession, there are also alternatives to overcome the situation.

Even though it is said that good relations have always existed between the government and the business associations, this meeting could be considered the one that was able to lead to greater rapprochement.

Topics such as governability and President Samper's temporary separation were not discussed. The economy is now the priority.

Perry said, "We must try to get the political crisis to be resolved through its own mechanisms and to minimize the effects of that crisis on the economy."

The minister insisted that the strength the Colombian economy has always shown is the country's greatest asset.

Sabas Pretelt de la Vega, president of the National Federation of Businessmen, said the idea is to find out what is really going on in the economy without exaggerating the effects the political crisis may be causing; however, this does not mean it does not have an important effect.

Pretelt de la Vega said they did not reach a gentlemen's pact, but a pact for truth, and the important thing is to seek ways to resolve the crisis.

Mistakes

They spoke about the importance of the country's trade relations with the United States and of the need to be more cautious with statements in the future. Perry recognized, for example, that it is harmful to be making statements aimed at underestimating the assistance given by the North American nation, such as the ones recently made by a minister and a deputy minister.

Spokesmen for the country's productive sectors told the government that the decertification is very serious for the country's interests, and they talked about the need to maintain a more active presence in the United States.

Alfredo Fuentes, coordinator of the National Business Council, said that in addition to holding a real discussion on the effects of the political situation on the economy, it is necessary to conduct a permanent action to consolidate Colombia's image in the international field.

He added that productive sectors know very well that the political situation should not be given a greater importance than it actually deserves, but said it does not mean that their independent ability to criticize will be lost.

Colombia: Government, Business Sector 'Pact' Viewed

96SM0188B Santa Fe de Bogota EL TIEMPO in Spanish 24 Mar 96

[Editorial: "A Good Pact" — received via Internet]

[FBIS Translated Text] Fortunately, the national government and the representatives of the production guilds

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adopted the decision to settle the political disputes over the progress of the economy, with a pledge to preserve the increasing pace of the national development process.

No one is unaware of the seriousness of the political events that have agitated the nation but, conversely, no one should be deceived about the devastating effects of attempting to transfer the political crisis to the area of production and the economy.

It is based on the preceding considerations that we applaud a magnanimous decision that demands reciprocal efforts, shared by the representatives of the government and the spokesmen for the private sector, to separate different situations, distinct environments, and diverse processes.

That statement should now transcend the purely rhetorical and declarative realm, to acquire a real dimension in the daily practice of conducting business and government affairs. Thus, with the groundwork now laid, it must be projected, through a restrained and wise exercise of business opinion, guided basically by constructive criteria that will defend the strength of our economy, with the same decisiveness that has enabled us to weather the most severe storms in the past.

What has occurred proves something else positive: namely, the fact that the parties concerned may dispute, dissent, or create difficult situations, but are seeking solutions to the national problems, which is something very complicated. The attempt to create a gap between industries and government posed many dangers, but the president and the finance minister formed an excellent bridge for crossing the road and meeting with the representatives of private capital to settle differences.

Colombia: Government, Firms Agree To End Dispute on Crisis

PA2703193496 Santa Fe de Bogota EL ESPECTADOR in Spanish 25 Mar 96 p 1B

[Report by Gilda Sarmiento]

[FBIS Translated Text] The recession indicators undermining the economy are so alarming that the government and business sector have decided to put a stop to their ongoing controversy and take measures to initiate a dialogue.

The objective is to put an end to the constant bombardment of negative messages to the country, the effects of which are a feeling of collective pessimism.

From here on out the private sector and the government's economic team have agreed to speak frankly to safeguard the country's productive apparatus from the political crisis.

The intention is not to try to conceal the effects that Case 8000 has had on the economy, but to refrain from magnifying these effects.

In the future, the National Business Council will refrain from calling for President Ernesto Samper to temporarily step down, which, by the way, helps to decrease tensions and downgrade the likelihood of a national business sector strike.

The government, which described those businessmen in favor of a strike as "subversives," also agreed to cut back on its criticism and promote a permanent dialogue with the business sector. The objective of which is to find solutions to key issues such as the high interest rates, problems confronted by the major industry sectors, the effect of the VAT, the growing problem of contraband, and public spending.

Finance Minister Guillermo Perry pointed out that in an economic assessment, the government and the business and professional associations agreed that there had been concrete signs of economic slow down, but that it is still possible to overcome the situation.

"We have spoken about formulas to hurdle this slow down. Let the political crisis be solved on its own accord, and let us minimize its impact on the economy."

Hazardous Games

Games are not to be played with the economy, since this is the country's main asset. This is the main reason why the agreement between the government and business sector seeks to encourage optimism among the population even though 1996 will not be an easy year.

National Business Council President Sabas Pretelt commented that an arrangement was made with Perry with respect to "an agreement not to distort the truth of the political crisis as the main cause of the economic decline, which would be irresponsible, even though it does have an effect. This is a difficult year and we have to face it as such. Colombians must commit themselves to promoting optimism. The decertification has caused problems, yet we cannot continue to focus on this fact."

The objective of the agreement is for the business sector and the government to concentrate on finding formulas to maintain the economy in good standing and let the political crisis solve itself through other means. Therefore, peace was made between both sides, at least for now.

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Colombia: Citizens Polled on Plan for Early Elections

PA2703154396 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 27 Mar 96

[From "Caracol's 0600 to 0900" newscast]

[FBIS Translated Text] Yesterday 1,200 Colombians responded to Today's Issue Poll conducted by Caracol. Twenty percent are in favor of President Ernesto Samper's proposal to reduce the presidential period and hold early presidential elections.

Eighty percent of the people polled disagree with holding an early presidential election for various reasons: early presidential elections are not provided for in the Constitution; the people would have to contribute campaign money; the Constitution of 1991 would be weakened; some people want to know the whole truth of the case before it is ended; many people believe that persons just as inept and corrupt as the current officials could be elected; the president should be allowed to conclude his term; it opposes democracy in the country; it would mean satisfying the wishes of the enemy of the president; it would be like a smoke screen that would allow the president to distract the people.

There are all sorts of opinions, but the majority is against the option of early elections to choose a successor to President Samper.

Colombia: Editorial Views Early Election Proposal

96SM0362A Santa Fe de Bogota EL TIEMPO in Spanish 23 Mar 96

[Editorial: "Proposals" — received via Internet]

[FBIS Translated Text] The president has presented the country with a plan he has thought up to advance the elections and to shorten his presidential term. It is not easy to analyze the various proposals included in the initiative. He consulted with important people in political, economic, industrial, and public opinion circles. We support the president's formula from this column because we understand its importance and, above all, we see in the president the desire to find a way to end the crisis which is affecting all Colombians and which, undeniably, has led to a worrisome spirit of division. The president has seen its consequences, and his proposed solution should be received with an attitude of patriotism, both by those who are close to him and those who are not.

The president's proposal may be expensive, and there is one point about which we disagree: We believe that an agreement on a solution must conform, as much as possible, to the constitutional provisions stated in the texts, specifically those dealing with resolving situations such as those we are currently facing and, very possibly, will continue to face for several more months. In our opinion, which has been pondered and stated over the past several months, it would be less disruptive if—should the need arise—Vice-president De la Calle were to replace Dr. Samper.

There are nuances on which agreement can and should be reached. For the time being, we stubbornly insist, to the point of being almost "tiresome," that no attempt to resolve the crisis is possible without the vital intervention of the chief of state and the understanding of those who have asked, without a sense of proportion, for his head. The president, being human, wants to defend himself, and he is totally within his rights to do so. Reconciling ideas, while keeping in mind certain principles, is what should be done from now on; dispensing, as much as possible, with personal attacks, which is the predominant tone in verbal statements and media commentaries. It is advisable to place patriotic limits on any mention of the factors which caused the crisis and, without any restrictions whatsoever, to cooperate with the president's plan to accelerate the elections. And, hopefully, the provisions for succession contained in the Constitution—we repeat, that of the vice-president occupying the position to which he has a right—will be agree upon in the great secret discussions.

The objective which should motivate us from now on is that of clearing the way and working toward a solution to the crisis.

Colombia: Columnist Views Early Election Proposal

96SM0191A Santa Fe de Bogota EL TIEMPO in Spanish 24 Mar 96

[Commentary by Enrique Santos Calderon: "The Sign We've Been Waiting For?" — received via Internet]

[FBIS Translated Text] Smokescreen? Diversionary tactic? The signal the country was awaiting? The light at the end of the tunnel?

How should we interpret President Samper's proposal to hold early presidential elections? I confess that I do not know. And it would be rash to prematurely characterize a suggestion that is still nebulous and as broad as it is long.

The only thing that seems clear to me is that Samper, edging away from his "Over my dead body" and his "Here I am, and here I shall stay," is acknowledging, for the first time, that he must go.

This is the all-important thing. Because the rest is still in embryonic form. "Samper is preparing his exit" is Juan

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Gossain's fitting description of a situation that caught almost everyone out in left field. But the initial reaction of surprise, and then of relief at the thought that he is no longer thinking of hanging on to power at any price, has given way to increasing bewilderment and a not-insignificant skepticism.

It should not be surprising that many persons think Samper is continuing his tactic of buying time, and that what his early-elections proposal really seeks is to lower the pressure of the crisis by shifting public debate to his proposal, and away from the problem of his three ministers and the impact of the 8,000 trial.

Preconceptions of all shadings are explainable at this stage, concerning as they do a president of undeniable political skill and demonstrated ability to play several cards at a time. But what cannot be ignored is the significance of Samper's having proposed the curtailment of his presidential term.

How and when is an altogether different question. The nuts and bolts of the proposal, indeed its very viability, must be analyzed in the context of what Samper's politics have been, and of what Samper the politician really is.

To begin with, we must take very much into account that the President has been a great launcher of half-baked ideas. He has a fascination for the floating of trial balloons at all and sundry moments, be it to take the pulse of the environment on controversial issues, or simply to divert attention from other problems weighing upon him.

He does not normally launch leavened and fully baked ideas, but rather airy and sketchy ones to be fleshed out in flight. Examples abound. The political reform and reform of the parties when the "narco-cassettes" scandal broke, then the national pact against violence, the referendum, and the death penalty. Each of these stirred up a fleeting moment of commotion before dying an almost unnoticed death.

We now have the idea of early presidential elections, accompanied by a pact with the business community, calling for not mixing the political crisis with the economic one, a judicial reform to speed up trials, political reform, party reform, legal status of the opposition, and a "menu of political options" ranging from a national-unity government to an authentication of his mandate through a plebiscite.

The approval generated by the President's having finally addressed the issue of his exit does not overshadow the confusion that has nevertheless been created, nor the understandable skepticism aroused by a proposal with so many scattered elements and such exclusionary political options: curtailment of the presidential term, a national-unity government, or a plebiscite.

Former Presidents Lopez and Gaviria have not endorsed the proposal, and yet to be seen is the reception it will get in a suspicious and mistrustful Congress. There exists, on the other hand, a generalized fear that a constitutional reform under present conditions would be like opening a Pandora's box from which anything could emerge. Suffice it to imagine the number of riders, hanging from it like long-tailed monkeys, that the Congress would attempt to attach to it.

It would be dangerous as well as mistaken for the country to lurch into the improvising of another reform of the Constitution in order to resolve the problem for Samper. For, what is required is not merely the finding of a replacement for the President, but also the turning of this crisis into an object lesson on which to base a fundamental reform that truly revitalizes our democracy, purifies the parties and electoral processes, and corrects much error on the part of the Constituent body.

But let us recognize that the situation has undergone a change and try to reclaim its positive side. This concerns the mechanisms for facilitating Samper's exit, in a context of consensus and a spirit of political civilization.

From this standpoint, of the three alternatives the President has put forth, the only one worth serious consideration is that of an early presidential election. The other two—a national-unity government or a plebiscite—must be taken as mere suggestions which the President is entitled to make, be they ever so totally unacceptable or innocuous.

If there is genuine intent on the part of the President, and if the indispensable political agreements come into being, we could actually have a presidential election before the end of this year. But if this begins to take shape as a never-ending process, with a President who preaches but does not follow through, and a wily liberalism fearful of the verdict of the voting booths, the suggested remedy turns out to be more deadly than the illness.

The most logical and constitutional solution, of course, would be Samper's resignation and the assumption of power by the vice president. But Samper has declined to take this step, which would have averted many of the sufferings the country has had to endure. And everything indicates that the last thing Samper would ever do is turn the presidency over to De la Calle.

We shall see, therefore, what the coming days will bring and whether a new climate can indeed be created. This will depend on the President's attitude. He will have to define the implications of his proposal more clearly.

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More detailed clarifications are needed to convince the country that what is being put before us is not another smokescreen, and, in sum, to assure us that what the labor of the proverbial giant brings forth will not be but an elusive mouse.

Colombia: Central Bank Foresees Lower Interest Rates

96SM0188A Santa Fe de Bogota EL TIEMPO in Spanish 23 Mar 96

[Received via Internet]

[FBIS Translated Text] The Bank of the Republic claims that inflation will be lower in March. The Central Bank accrued earnings totaling 294.247 billion pesos during 1995.

The board of directors of the Bank of the Republic and the bankers agreed yesterday that the conditions are present for preventing a further rise in interest rates and, on the contrary, for a slight decline in them during the coming months.

Yesterday, representatives of the financial system met with the codirectors and manager of the Central Bank to analyze the status of the economy and of the exchange, credit, and monetary policy.

The bank's board of directors issued a reassuring report, expressing satisfaction with the performance of the money supply (money in circulation and current accounts), and the decline in the growth of the commercial paper holdings of the financial entities.

It also claimed to be reassured by the good performance during March of inflation, which will be far lower than the result posted in February, when it reached 4.01 percent.

The president of the National Association of Financial Institutions (ANIF), Javier Fernandez Riva, reported that the meeting was very cordial, and is one of the two programmed with the monetary authority every year.

He said that the board admitted that the economy has become weakened, and that the intention is to prevent a greater slowdown from occurring. At the same time, he expressed confidence in the decline in interest rates.

"Let us hope that all the Central Bank's good intentions are fulfilled," remarked Fernandez, noting that the monetary authority is moderately optimistic about the economy's performance.

At the meeting, the bankers underscored the need to reduce cash reserves, because this would help to cut interest rates more. It is possible that, during the second half, there may be a decline in the cash reserves in current accounts and in term certificates of deposit (TCD).

For the present, the board adopted another measure yesterday, to prevent pressure on interest in the financial system and shocks in the interbank rate (that charged by the banks for short-term loans made with each other).

The Bank of the Republic will recover liquidity in one-day operations at an annual effective interest rate of 25 percent, and will provide liquidity at a rate of 35 percent.

This decision, combined with measures to make the private sector's foreign debt flexible, will facilitate the reduction in interest.

Central Bank's Profits

On the other hand, the balance sheet of the Bank of the Republic was released yesterday. After registering consecutive losses for three years, the bank reported earnings of 294.247 billion pesos during 1995.

Most of the profits were posted as interest and returns on international reserves, which brought the Central Bank 760.136 billion pesos, compared with 349.926 billion in 1994: in other words, a 117 percent increase.

As of December 1995, the Central Bank had at its disposal a total of $8.324 billion in international reserves, compared with $8.002 billion in 1994.

At the close of 1995, the Central Bank's operational income totaled 1.06 trillion pesos, versus 700.048 billion: a 52.4 percent increase.

Moreover, in 1995 the operational outlays totaled 791.824 billion pesos, compared with 760.822 billion in 1994: a slight rise of 4.02 percent.

The exchange differences produced income of 99.870 billion pesos in 1995, compared with 16.367 billion: an expansion of 510.19 percent.

In 1995, the Central Bank's total assets amounted to 11.08 trillion pesos, compared with 9.29 trillion in 1994. The entity's total liabilities reached 8.16 trillion pesos in 1995, versus 8.06 trillion in 1994.

The balance of securities under monetary and exchange regulation totaled 254.463 billion pesos, a low figure compared with the 1.54 trillion registered at the close of 1994.

Colombia: Drug Traffickers, FARC Reach Tax Accord

PA2703040596 Santa Fe de Bogota EL TIEMPO in Spanish 23 Mar 96

[Received via Internet]

[FBIS Translated Text] Tulua — Drug traffickers from central Valle del Cauca Department and the [Revolutionary Armed Forces of Colombia] FARC reached an agreement that establishes a tax for cocaine processing.

Likewise, they agreed on the number of people to work in the laboratories, and on the exchange of weapons for raw material used in the processing of narcotics.

Colonel Justo Eliseo Pena, commander of the Palace de Buga Batallion made the statement. He said that by virtue of this accord, the 6th FARC group charges drug traffickers a total of 35,000 pesos per kilogram of cocaine, and 25,000 pesos for the processing of a kilogram of cocaine base. He added that apparently drug traffickers make monthly payments to the guerrilla group of approximately 50,000 pesos per three hectares of poppy seed planted.

Pena said this information was gathered during implementation of operation Tormenta II, which seeks eradication of illegal crops in that region of the department. Additionally, Pena said the accord established the amount of time that each group stays in the region, and the number of workers that take part in the production of narcotics.

Furthermore, according to this accord, drug traffickers deliver weapons to the rebels in exchange for raw material — bulk cocaine and poppy seed — for the processing of cocaine and heroine.

According to the 3d Army Brigade, this FARC front also controls the production of marijuana in the northern region of El Cauca. In this region, the 1st Numancia Batallion seized six tons of narcotics on Wednesday. The army accuses Miguel Angel Pascuas aka 'Sargento Pascuas', who is chief of the 6th FARC front, of promoting this type of activity in the region.

Colombia: Police Arrest Drug Trafficking Leader

PA2703034196 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2300 GMT 26 Mar 96

[From the "RCN Radio Events" newscast]

[FBIS Translated Text] Operations conducted by the National Police's Search Bloc team have produced new results.

The operations were conducted in Jamundi Municipality, Valle del Cauca Department. The police have just arrested Oscar Ivan Henao Montoya, brother of Arcangel and Orlando Henao Montoya, on a road leading to this town in the southern part of the department. The authorities believe these people are involved in drug trafficking activities in northern Valle del Cauca Department.

Oscar Ivan Henao Montoya is currently charged by the Search Bloc with the illegal possession of weapons. Police confiscated a 7.65-mm pistol, two magazines, and a fake permit from Henao Montoya.

Oscar Ivan Henao Montoya was arrested along with (Hector Fabio Vinasco Urdinola) and Juan Carlos Arango Gallego. The arrest is part of the operation implemented by the authorities to surround Cali cartel leader Helmer Pacho Herrera in southern Valle del Cauca Department. The police have been conducting these operations since 25 March as RCN Radio Events of Valle del Cauca Department has been reporting. Henao Montoya is currently being transferred to the SIJIN [Metropolitan Judicial and Investigative Police].

Colombia: Rust Disease Affects Coca Plants in Cauca

PA2503161996 Santa Fe de Bogota Radio Cadena Nacional in Spanish 0230 GMT 24 Mar 96

[FBIS Translated Text] Popayan — Some sort of rust is wiping out coca plantations in southern Cauca Department. The coca rust appeared recently in an area where hundreds of rural people derive their income from the cultivation of coca. Coca planting is no longer good business because an obscure fungi is totally wiping out the plants. [passage with recording of peasant reporting this situation indistinct]

The peasants say the rust problem began recently after two small airplanes flew over the coca plantations in southern Cauca Department.

Ecuador

Ecuador: 'Surprise' Candidate Ehlers Viewed

96SM0154A Guayaquil VISTAZO in Spanish 7 Mar 96

[Unattributed article: "Ehlers: The Surprise?" — received via Internet]

[FBIS Translated Text] It is a fact. The outsider — that is to say, the candidate without political party affiliation apparently being desperately sought by certain center-leftist analysts, with a view to putting him up against Jaime Nebot — seems to have appeared. A month after the candidacy of television announcer Freddy Ehlers was launched, he has settled comfortably into second

place. And for the first time since the beginning of the campaign, a center-leftist candidate has obtained more than 20 percent of the resulting preferences, according to the Perfiles de Opinion (Opinion Profiles) firm. As a matter of fact, at the end of last week the three most important polling agencies placed Ehlers second in voters' preferences. Informe Confidencial (Confidential Report) gave him 18 percent, and Cedatos 17.5 percent.

According to Perfiles de Opinion, Ehlers' supporters are typically upper middle-class citizens in the mountain regions. The bulk of his supporters are reported to be men and women between 18 and 24 years of age, the majority living in Quito and Cuenca. In Quito, where until last month former mayor Rodrigo Paz led in the polls, Ehlers now ranks first, with a 12-point lead over Paz. In Cuenca, where until a short time ago Jaime Nebot was in first place, Ehlers now leads with a six-point advantage. In Guayaquil, however, Ehlers has achieved limited acceptance—he is favored by only eight percent of the voters in that city, but he now ranks third, after Jaime Nebot and Abdala Bucaram.

Although the Ehlers phenomenon appeared initially to be limited to members of the middle and upper classes — who had been ardent viewers of his television program for the past five years —during the month the campaign has been running, he has succeeded in penetrating the popular sectors as well. An assessment as of 6 February gave him nine percent of the preferences in the lower economic sector; while by the next assessment, made on 29 February, that figure had increased to 18.5 percent.

The Outsider

Although the Ehlers phenomenon surprised everyone, those who least expected it appear to have been the supporters of Rodrigo Paz, who until last month led the center-left, and now seems not only to have lost access to the second round, but is also, according to Informe Confidencial and Cedatos, being forced to fight hard against Abdala Bucaram for third place. "Although according to our figures, Paz leads Bucaram by five points, it is also true that when it comes to counting the votes, Bucaram wins even more votes than indicated by the exit polls, that is to say the surveys made as citizens leave the polling places," Hugo Barber of Perfiles de Opinion says.

This decline for Paz, even as compared to Bucaram, could be the clue to understanding the rise of Freddy Ehlers. "Ehlers has succeeded in rallying the vote in the mountain region and the center-left because there has never been a candidate who inspired real enthusiasm in this sector," Jaime Duran of Informe Confidencial says. "The preferences expressed on the center-left were so inconsistent that the surveys always sought some justification to explain the vote for Paz or for Vargas. As a result, there always remained a vacant field, and that explains why a good proportion of the voters have now abandoned Paz, Vargas, and even General Gallardo, to support Ehlers," Duran explains. "In addition, Ehlers has bypassed some stages. Normally, a politician needs to devote a number of months to campaigning in order to make himself known to the voters. Ehlers has been doing this through his program for more than five years, and with a special characteristic—the fact that he was not a politician. And he has sown his seeds in fertile ground."

In the view of other people, Ehlers seems to project the image that the voters believe proper for a government leader. An electoral market study by the Pronos firm revealed that the attribute of greatest importance to all the voters is honesty, followed by education and industriousness. They want a government leader to appear serious and formal (that is to say in a suit and tie) and to vary his mode of dress in accordance with the occasion involved. And he should address the voters in a friendly and informal fashion. Ehlers seems to fit this image, especially where honesty is concerned. "It is not that he is more honest than the others, but the fact that he does not appear to be linked with any political party makes him seem so," Hugo Barber says. At the present time, a major segment of the electorate believes that being affiliated with a party renders the morality of a candidate suspect."

But is this true? Is Ehlers really a candidate outside the political party area? A careful examination of the principal individuals in his campaign team might postulate the hypothesis that Freddy Ehlers is really the candidate of the Democratic Left — or, to be more precise, of what the analysts have described as the historic leaders of the Democratic Left—Rodrigo Borja, Andres Vallejo, Alfredo Vera. In a word, the Borja faction.

A Covert Candidacy

To begin with, the director of Freddy Ehlers' campaign team is none other than Francisco Borja Cevallos, the brother of former president Borja. A brilliant journalist, Francisco Borja was until a month ago the political editor of the daily newspaper HOY — a position he left, some say, to devote himself to the campaign full-time. He, however, tells a different story. "The truth is that Freddy took me on as manager of his program, and it was for that reason I resigned from the newspaper. A few days later, he accepted the candidacy and he asked me to join him. And although no one has officially appointed me campaign director, I have in practice

assumed that position as a result of the experience I have and my enthusiasm for Freddy's candidacy."

He held no official appointment during his brother's government, either; but he had an office in the government palace and, together with Gonzalo Ortiz, the current political spokesmen of Ehlers' campaign, Francisco Borja was one of the most powerful tenants in the Carondelet Palace during Rodrigo Borja's administration.

Gonzalo Ortiz is also a journalist, and a former economic editor of HOY. He was the first national secretary of information, and then served as secretary of the Presidency, with ministerial rank, in Borja's cabinet. In addition to organizing the president's agenda, Ortiz was entrusted with the handling of the Indian problem, a task in which he was aided by his experience as an anthropologist and his knowledge of the principal protagonists. Luis Macas, the director of the CONAIE [Confederation of Indian Nationalities of Ecuador] who now heads the slate of national deputies for the movement that supports Ehlers, was his classmate at Catholic University. The third member of the team, the campaign's economic spokesman, is Jaime Moncayo, a noted economist who supports the Economic Commission for Latin America and is affiliated with the Democratic Left. He was appointed by Rodrigo Borja to serve as the Ambassador of Ecuador to Washington. And then there is Ehlers himself, a former member of the Democratic Left who participated actively in Rodrigo Borja's electoral campaigns, if indeed he never held a post in his government.

"But from that to saying that Ehlers is the candidate of the Democratic Left is an oversimplification of the facts," Francisco Borja argues. "Freddy never participated in party life, and was never a government official."

But wasn't Ehlers the candidate that Rodrigo Borja had in mind beginning in 1994?

"It is true that he was," Francisco admits. "I also thought he was a good candidate, but as a result of various circumstances, we set him aside until the Social Movements Coordinating Board revived the idea no more than two months ago. When Ehlers agreed to be the candidate of the Coordinating Board, not of the Democratic Left—that is when the campaign in which we have joined began."

The Coordinating Board

The other support on which Ehlers' candidacy has been based, and one that perhaps explains his unexpected rise, is the Social Movements Coordinating Board, a group that began to take shape among the workers in the public sector who organized when the government of Sixto Duran Ballen attempted to amend the constitution to eliminate the trade unions in the public sector. The group reached its peak with the campaign for "no" votes in the popular referendum. "Ehlers is the candidate of the oil unions, the workers in the electrical sector, the social security workers," the journalist Manuel Maldonado has said. In a broader sense, he seems to be the leader of this vast sector that voted "no" and, mainly in the mountain region, opposed the President Duran-Ballen's modernization proposals.

The visible head of this organization is Ramiro Galarza, who as president of the Coordinating Board is a member of the political bureau of Ehlers' campaign. Galarza, 42, is a former employee of Petroecuador [Ecuadoran State Petroleum Enterprise] and is currently an adviser to the National Federation of Oil Workers. He has been affiliated with the trade-union sector for 15 years.

And there is, in addition, Marcelo Roman, the representative of the workers on the Petroecuador board of directors, and now in second place on the slate of national deputies, following Luis Macas. "The Coordinating Board has only been in existence for a year," Galarza says, "but it is a product of an effort pursued over several decades. It has been consolidated with this campaign in defense of the strategic sectors of the economy and social security, the popular consultation campaign. And on the basis of these results, we believe that we are strong enough to put forth a presidential alternative. We had three possible candidates—the president of the Supreme Court, Carlos Solorzano; Rodrigo Borja; and Freddy Ehlers. Neither Solorzano nor Borja would accept. But our third choice did, and here we are."

The Second Round

"Although there are similarities, to think that Freddy Ehlers' candidacy could be as strong as that of Jaime Roldos was would be an exaggeration," political analyst Alfredo Negrete says. "Roldos had political experience, and he had the support of the vast machinery of the Concentration of Popular Forces and the tremendous support of Assad Bucaram." Perhaps these are not available to Ehlers, but he is not lacking in support, either. He has behind him the structures of the Democratic Left and the Socialist Party, which has committed to his candidacy, as well as the CONAIE and the trade-union bureaucracy.

With this structure, he is trying to effect a repeat of the results of the popular consultation, and he is becoming the clear standard-bearer of an ideological position opposed to privatization and modernization as understood by the administration of Sixto Duran Ballen. If the pendulum theory has some logic and the electorate

wants to vote for what the opposition to Duran Ballen represents, the Ehlers candidacy has a chance.

Summary

Although Gonzalo Ortiz has stated that in an Ehlers administration, it will be he and not his wife who governs, the press cannot fail to note an important aspect of this candidate's background. His political family belongs to a sector of Peruvian society with which Ecuador has historically been in conflict. Don Jorge Morelli Pando, the father-in-law of candidate Ehlers, is currently a member of the Foreign Relations Consultative Commission, which advises Francisco Tudela, the Peruvian foreign minister. As titular chief of the mission, he has headed the Peruvian Embassy staff in Ecuador on two occasions (1972-77 and 1987-90). A career diplomat, he served as vice minister of foreign relations between 1980 and 1982.

As is obvious, his position on the territorial problem is the classic position of a Peruvian diplomat of the old school. The problems were resolved by the Rio de Janeiro Protocol, and all that remains to be done is the demarcation of the boundary, already established by that protocol, passing through the high peaks of the Condor Mountain Range. His thinking has been set forth very recently, even since the war in January of last year, in the book "The Territorial Pledges of Peru," just published in December of last year. The book is especially interesting to the extent that it reflects what the Peruvian diplomatic sector thinks about the current peace process. "It is unthinkable that the pacification stage would be followed immediately by basic negotiations, in that Ecuador is formally continuing with its claim of sovereign access to the Amazon region," Morelli writes. "The formal presentation of such a claim alone would lead, ipso facto, to the failure of the bilateral talks, even assuming that it had the support of the guarantors."

In a rejoinder, Ehlers has stated that he is not in agreement with the thinking of his father-in-law — who, moreover, seems to be very close to the government of President Fujimori. Jorge Morelli Salgado, the son of Ambassador Morelli, and thus Ehlers' brother-in-law, is the assistant editor of the daily newspaper EXPRESO in Lima. It is one of the daily newspapers that has the most influence on Fujimori, and it is described as the ideological support of the government. EXPRESO, which is headed by Manuel de Ornellas, regarded as the most brilliant journalist in Peru, has been described as a major ideological support of Fujimori. "And it is Jorge Morelli Salgado precisely, the assistant editor of the journal, the individual closest to the government, who has put the daily newspaper in this position," Fernando Rospigliosi, an analyst who writes for the journal CARETAS, says.

All in all, the nationality of Ehlers' political family has not thus far become an issue in the electoral campaign, which has been characterized by avoidance of attacks on the opposition.

Ecuador: Reserved Funds Spending Detailed

96SM0154B Guayaquil VISTAZO in Spanish 8 Feb 96 pp 4-9

[Article by Patricia Estupinan de Burbano: "The Reserved Funds Whirlwind"]

[FBIS Translated Text] The curtain has fallen. Following a lengthy juridical debate and months of rumors, the list of those benefiting from the checks issued to cover expenditures from the reserved funds of the Office of the Vice Presidency has been made public. But the puzzle is very far from being solved, and both "the righteous and the sinners" have been shipwrecked by the whirlwind publication of the names.

Pieces That Fit

Three mysteries have been solved with the publication of the list. First of all, the amount of the expenditures has been finally determined. Second, it has been shown that a large percentage of the expenditures had to do with salary payments. And third, the account was handled with such secrecy and recklessness that one can speak, at the very least, of wastefulness. This is entirely inconsistent with the demand made of the citizens of Ecuador for austerity, through taxes, tariffs, and the price of fuels.

Despite publication of the list, the fate of at least 13 billion sucres remains to be explained. Of this sum, 10 billion was paid out in cash; 1.324 billion was paid out in checks made out to or endorsed by employees of the Office of the Vice Presidency on the lowest level, such as janitor Luis Andrade; and 1.4 billion was paid to various banks for the purchase of foreign exchange.

The Total

The Social Christian deputies who are making the accusations against former Vice President Alberto Dahik have maintained that the expenditures came to a total of 90 billion sucres. Dahik's advisers, on the other hand, speak of 45 billion. The figure was neither one nor the other. The deposits made by the Ministry of Finance to the reserved expenditures account of the Office of the Vice Presidency came to a total of 21.527 billion. If, as he said in a statement made on a national television network, Dahik handled "a third of the government's total reserved expenditures," because the secretary of the

administration and the Office of the Presidency of the Republic" had similar accounts, the total would come to approximately 66 billion. This is a spine-chilling figure—the equivalent of almost two years of the total budget funds of the Ministry of Foreign Relations, which came to 35 billion in 1995. It is also frightening if compared to what other governments in this democratic era have spent in terms of reserved expenditures. The Duran Ballen-Dahik administration is reported to have spent $21 million, as compared to $9 million spent in the five-year Roldos-Hurtado term, $5.7 million during the Leon Febres-Cordero government, and $12 million during the government of Rodrigo Borja.

Salaries

The first major category in this check register covers salary payments amounting to a total of 800 million sucres. It had originally been said that the total paid out for salaries represented 20 percent of the expenditure total. The reality is that it came to even less than five percent.

The problem of salary payments goes deeper than whether or not they came from the reserved expenditures fund. The fact that the salaries paid are not in line with what a qualified professional earns in the private sector is a reflection of the hypocrisy of our political system. As a result, those who go into government are professionals who have large personal fortunes and a willingness to accept "civic conscription." The intentions of some might be to render civic service, but the majority have other purposes and ambitions. Another group of advisers are on loan. The businesses that employ them lend them out on service contracts while paying their salaries. To whom do these employees answer? To the government, or to the businesses that pay their salaries and sacrifice employees in exchange for influence obtained? "This system creates the possibility that public positions will be filled with individuals who want to traffic in influence and are looking for bribes. The salaries paid discourage those who are honest and embolden those who are dishonest and who favor certain suppliers or contractors by the decisions they make or change the rules of the game such as to profit certain businesses and cause losses to others," the analyst Walter Spurrier has written in this regard.

Despite the errors made by Dahik, one of his achievements was to obtain an excellent team of advisers who obviously would not work for the miserable salaries paid in the public sector. Should they have been paid out of reserved expenditure funds? Perhaps for the first year, but in the second year, a way should have been found to include these salaries in the salary budget. If the government was prepared to do away with many improper practices, it should have begun with this one.

Reckless Handling

Every government in every country in the world maintains reserved expenditures funds. Their secret nature is due to the fact that in order to maintain state security and integrity, governments often have recourse to "dirty dealings." But the fact is that a regulation promulgated by the Ministry of Finance and published in the official record in July of 1993 provided that reserved funds in Ecuador can be regarded as covering all unforeseen expenditures for "activities and projects for which planning was not possible at the time of the formulation of the budget." What this did, to use plain language, was to create a gigantic secret checkbook to be managed at the discretion of the signatory, who in this case was former Vice President Dahik. And there, precisely, lay the source of the evil, the seed that burgeoned into abuse, waste, and even fraud. "When coffers are open, even the righteous sin."

During the administration of Engineer Leon Febres-Cordero, $84 million was paid out through Monetary Council donations. At the request of President Rodrigo Borja, the Congress suspended these payments definitively in 1988. The list of donations included everything from gifts of sweets to copies of books on first aid.

Many of the current expenditures from the Office of the Vice Presidency account are similar to the payments made for donations, and simply represent the tremendously damaging practice of political patronage. For example, the assistance provided ranged from helping the Carchi drivers to attend a congress to enabling the Portoviejo Garden Club to stage a flower show.

Two sectors were especially favored—the Church and athletics. The donations made to certain religious communities came to a total of 430 million. This is not the first time that a government has collaborated with the Church. However, in the past this was done on the basis of public agreements. Those signed with the Bishops' Conference to provide school lunches or to purchase foreign-debt paper with a view to the subsequent purchase of land for the Indian communities are examples. There are also the agreements signed with a view to the rebuilding of churches damaged by the 1987 earthquake. In this case, however, the collaboration targeted specific parishes, some of them in circumstances that are not at all modest. Examples include the Claretian Church in Urdesa, and the Kennedy Norte Church in Guayaquil, the Giron Church in Quito and the Cisne Church in Loja. The support provided the Salesian mothers for the

building of a shelter for homeless girls is more justified, because this is a social problem that the government has the responsibility for resolving. But why was it not budgeted in the regular income category?

In the field of athletics, checks have been issued to various federations, and also to individual athletes such as Segundo Mercado. The visit of the former world heavy-weight champion Muhammad Ali was probably paid for, as well, along with that of the controversial boxing promotor Don King, who received royal treatment. Was all of this outlay justified? No. Nonetheless, the conservative deputy Leonardo Escobar was the man behind this mobilization of funds.

Another of the most sizable expenditure categories covered polls, political advice, and publicity campaigns, running to a total of 1.275 billion. No government can function without surveys or without promoting its theses, but this should be done through a public budget and not out of reserved expenditure funds. This practice gives rise to distortions and even abuse. The case of the frustrated purchase of Radio Democracy is an example. Also, there should be a clear understanding of where the promotion of certain theses is coming from. This was not what happened with the 1994 consultation on the independents, when the campaign promoting it was attributed to a private foundation, whereas it turned out to have been paid for out of reserved expenditures funds.

Unsuitability

There are examples of smaller expenditures revealing lack of suitability, at the very least. For example, ten million was paid to Mario Rocha, the former vice president's pilot. Also, the transformer and the rehabilitation of the tennis court at the Chillo Jijon country home, where the former vice president spent his weekends, were paid for not by the government, but by the economist Dahik.

And finally, the long list of beneficiaries includes the names of various businesses which — despite the efforts made by our investigative team — could not be located in Quito, nor in Guayaquil, nor in Cuenca. This was the case with the Diaz Agency (53 million), Alpha (38 million), Edhel (11 million) and Prodefensa (six million).

The Mysteries

However, the greatest mystery involves the ten billion paid out in cash — for reasons known only to the comptroller — as well as the checks made to bearer, on some of which the endorsements are illegible, and probably never will be deciphered. And this may be what the country was hoping for with the publication of the famous list—the names of the deputies, judges, etc. who were paid to approve projects that benefited the government or protected certain ministers. But this whirlwind sucked in individuals who were engaged in selling their services honestly or were receiving justified assistance. This should be investigated before their names are made public, instead of publishing them and investigating later. Payments were made to some righteous individuals, as well as to sinners.

Breakdown of Reserved Expenditures

The following payments were made for the purchase of dollars: 958,367,916 sucres to the Production Bank, 219,800,426 to the Pacific Bank, 179,775,493 to the Loan Bank, and 119,217,010 to the Casa Paz, S.A.

The following payments were made for office equipment and furnishings: 11,576,000 sucres to the ATU Company, Ltd., for filing cabinets, chairs, and other furnishings; six million to Invercopia, for photocopiers and fax machines; 7,751,587 to La Oficina (this beneficiary could not be reached); 9,475,600 to La Galeria, for furnishings for the Office of the Vice Presidency; and 5,700,000 to Xerox of Ecuador, for office equipment.

The following amounts were paid out for advisory services: 60,400,000 sucres to Mario Elgarresta, for political advice; 15 million to Walter Guerrero, for professional honoraria; and 62,102,632 to Ivan Nieto, for travel expenses in connection with the renegotiation of the foreign debt.

The following sums were paid out for salaries: 30 million sucres to Fabian Armijos, 14,486,880 to Fabiola Arosemena, 5,500,000 to Veronica Aulestia, 6,050,000 to Karen Aguinaga, 22,456,120 to Maria Augusta Baquero, 7,200,000 to Carlos Benites, 15,269,000 to Gualberto Barros, 47,745,000 to Julio Cabrera, 108,455,000 to Augusto de la Torre, 57,115,000 to Vinicio Garzon, 15,115,000 to Jorge Gagliardo, ten million to Gustavo Gonzalez, 7,412,000 to Violeta Hajj, 6,447,200 to Ivan Jaramillo, 5,722,400 to Adolfo Kleare, 23,350,000 to Juan Leoro Franco, 32,000,000 to Pablo Lucio Paredes, 63,800,000 to Franklin Maldonado, 9,750,000 to Ernesto Morales, 40,413,000 to Janina Naranjo, 71,004,000 to Gina de Nacer, 6 million to Enrique Proano, 34,359,200 to Henry Richardson, 137,396,000 to Luis Rueda, 5,847,200 to Galo Tamayo, and 9,329,500 to Carlos Vera Zambrano.

The following sums were paid out to various hotels and travel agencies: 39,494,916 sucres to the Hotel Colon, for receptions and banquets; 64,365,232 to the Hotel Oro Verde (no information provided); 15,243,720 to the Hotel La Mirage, for the Transparencia Internacional Convention; 5,780,718 to the Guayaquil Hotel Service,

S.A. (no information provided); 5,210,832 to Saeta, for various travel tickets; 6,370,927 to Seitur, for various travel tickets; 9,371,961 to Turisa, for tickets from Quito to Guayaquil in 1993; and 7,728,099 to the American Travel Company, Ltd., for domestic and international tickets.

The following sums were paid out for advertising and surveys: 25 million to Alfredo Adum W., for gathering data; 120,768,000 to Cedatos, for public opinion polls; 161,780,184 to CPV Publicity and RRPP, for progovernmental publicity; 283,800,000 to Informe Confidencial, for public opinion polls; 13 million to QSS Productions, for audiovisual support; 8 million to SON Productions (no information provided); and 663,126,818 to Veritas Publicitaria, for the 1994 popular consultation.

The following sums were paid out for public relations services: ten million sucres to the Judo Guayas Provincial Association (no information provided); 96,750,000 to the Ecuadoran General Library (this beneficiary could not be reached); 22 million to the National Police Pension Fund, as a contribution to the fund; 30 million to the Supreme Court of Justice, for the basketball championship tournament; 5,765,050 to the Corporation for the Development of University Education, for San Francisco University in Quito; ten million to the Portoviejo Garden Club, for the flower show; 125 million to the Studies and Publications Corporation, for 100 deluxe encyclopedias; 23,500,000 to Rodin Publications (no information provided); 20 million to the Azuay Athletic Federation, for promotion of the South American Games location; 24 million to the Federation of Quito Neighborhood Leagues, for interneighborhood athletic games; 28 million to the Sharing Foundation (this beneficiary could not be reached); 8 million to the Cooperative Savings and Credit Federation of Ecuador, for the International Brokers Conference; 37,500,000 to the government of Chimborazo, for allocations to the municipality of Riobamba; five million to the National Higher Studies Institute (no information provided); 12 million to the Higher Police School (no information provided); ten million to the Carchi Drivers' Trade Union, for the National Drivers' Congress; and 40 million to the Social Policy Unit (this beneficiary could not be reached).

And, finally, the following sums were paid out as contributions to the Church: 20 million sucres to Monsignor Elias Davila, for the remodeling of the San Gabriel Church; ten million to the Our Lady of Fatima Institute, for auxiliary computer equipment; 60 million to Father Cesar Landivar (this beneficiary could not be reached); 12 million to the Our Lady of Cisne Parish, for a medical dispensary; 145 million to the San Antonio Maria Claret Parish, for the remodeling of the Urdesa Church; 25 million to Monsignor Roberto Pazmino Guzman, for the expansion of the Guayaquil Cathedral; 130 million to the Society of Salesian Mothers, for a shelter for homeless girls; and 18 million to Father Efren Vivar, for stained glass windows for the El Giron Church.

Are Solorzano's Actions Legal?

Despite the fact that the classification of the microfilms involved was never lifted — nor did the Tribunal of Social and Constitutional Guarantees ever declare that classification unconstitutional — in the middle of December, the president of the Republic himself allowed a team of experts appointed by Solorzano to study them and to issue a report. Once that had been done, Solorzano ruled that "the provisions of the executive decree in question are rejected, since they were designed to effect the unconstitutional, illegal, and incidental extraction of documentary evidence that should be incorporated in the court procedure."

The Arguments

What was the basis of Solorzano's action? The following were his principal arguments.

1. It was the opinion of the judge that the promulgation of the secret decree constituted a procedural incident, because it prevented recognition of the documentary evidence on deposit in the security vaults of the Central Bank. And, according to Solorzano, this "objectively reflected the desire to divide the legal process into separate parts in order to obstruct and delay the normal development of the indictment process, since the secret classification serves to block clarification through incorporation in a public criminal procedure."

2. According to the judge, the secret decree does not have binding force because of the clear and absolute nullity that invalidates it as a matter of law. He bases this nullity on Article 94 of the Statute Establishing the Administrative Regime for Executive Operations, which provides that no administrative act characterized by irredeemable flaws is subject to confirmation. Solorzano maintains that this decree violated the Constitution of the Republic, as well as various secondary laws.

As a result, Solorzano concludes that "the so-called secret executive decree represents nothing but an isolated and incidental intervention in the criminal procedure resulting from unconstitutional interference by the president of the Republic in matters that are within the purview of the court system. As a result, because of its obvious unconstitutionality and illegality, the executive decree in question, which violates the provisions of Article 97 of the Constitution, has no value or legal effect whatsoever."

Is There a Contradiction?

The declaration that the decree is null and void, however, seems to be flawed at its base. According to the Constitution, the Constitutional Court alone has the authority to rule a decree constitutional or unconstitutional. "The declaration that an executive decree is unconstitutional or illegal must be issued by the competent bodies," Dr. Hernan Perez Loose, an expert on constitutional law, explains. "And the competent body is the Constitutional Court or the Court of Administrative Law. While the Constitution does provide that judges may suspend the effects of an unconstitutional norm, that same highest law makes it clear that this authority is granted only to the courts of last resort, and that is not what the president of the Supreme Court is."

Not every one is in agreement. "I believe that the president of the Supreme Court has the authority to declare a decree unconstitutional, but only in a specific case," Dr. Leon Roldos Aguilera, the rector of the University of Guayaquil, says. "However, the wording by which the decree was declared null might be interpreted to mean that it is permanently repudiated, which would be unconstitutional. In any case, I think that justice is being done."

The response provided by Duran Ballen, however, is inconsistent, since he is not asking that the provision be declared unconstitutional. This is as contradictory as the position of Solorzano — who, despite the fact that in his ruling, he accuses the president of "intervening to hinder the development of the indictment process and the action of the courts," brings no charges against him. "This ruling sets a disastrous precedent for the stability of our institutions," Dr. Cesar Coronel, the former dean of jurisprudence at the Catholic University of Guayaquil, concludes.

Peru

Peru: MOMEP Coordinator Says DMZ 'Fully Calm'

PY2803011696 Lima EL COMERCIO in Spanish 27 Mar 96 p A5

[FBIS Translated Text] Bagua, 26 Mar — Brazilian General Roberto Albuquerque, coordinator of the Ecuador-Peru Mission of Military Observers (MOMEP), stated: "The peace process between Peru and Ecuador is day by day closer, and I can say that never have we been so close to that much-desired peace as we are now."

He added that the peace process between the two countries is developing well.

He said: "The demilitarized zone [DMZ] is fully calm and, I repeat, our objective is to achieve a total peace process and we believe we are achieving it."

Asked about the installations built by Ecuadoran military troops in the demilitarized zone and their possible destruction, the MOMEP coordinator said: "As in all other regions, there is absolute tranquillity in the demilitarized zone, so you can draw your own conclusions."

Gen. Albuquerque arrived last night in the Bagua Province and this morning he met with General Luis Perez Documet, chief of the Sixth Military Region.

Peru: Ecuadoran Report on Troops 'Groundless'

PY2703230596 Madrid EFE in Spanish 1925 GMT 27 Mar 96

[FBIS Translated Text] Lima, 27 Mar (EFE) — Peruvian Foreign Minister Francisco Tudela stated today that the Ecuadoran report on a supposed concentration of Peruvian troops on the border with Ecuador is groundless and seeks to blow out of proportion the military aspect between the two countries.

The Ecuadoran National Communications Secretariat (Senacom) last Tuesday reported a "suspicion that Peru is reportedly increasing the number of military troops on the border and in the demilitarized zone" which comprises territories from the two countries.

After ruling out this report by the Ecuadoran Senacom, Tudela stressed that it was published in conditional and not in positive terms.

The Peruvian foreign minister said: "Hypothetical comments like this are groundless and imply a desire to blow out of proportion the military aspect to the detriment of the diplomatic aspect."

Tudela said that Peru believes the diplomatic aspect "is the most important, and for this reason we insist that we are ready to talk immediately about procedures, followed by discussions on the main issue."

He added: "We should not discuss second or third level aspects which are placed in the path to unnecessarily thwart the peace process."

The Peruvian foreign minister thus defended the work of the Ecuador-Peru Mission of Military Observers (MOMEP) which is overseeing the demilitarization of the border zone where the two countries waged an undeclared war in 1995 and which has been the object of criticism by the Peruvian press.

The Lima newspaper EL COMERCIO accused the MOMEP of keeping an excessively "passive position concerning repeated Peruvian reports on confirmed

Ecuadoran violations, not only of the demilitarized zone but others within our borders as well."

Tudela said MOMEP "has not taken action with the speed desired by some of the parties, but it should be understood that its role is delicate and must verify thoroughly what it must say in each case."

The two parties recently submitted their respective lists of border disagreements and must approve now the procedures that will be followed in the negotiations.

Peru: U.S. Envoy's Impartiality on Border Questioned

PY2703213796 Lima EL COMERCIO in Spanish 26 Mar 96 p A4

[Unattributed commentary: "Without Confirmation"]

[FBIS Translated Text] Unlike his colleagues accredited to Santiago, Buenos Aires, Brasilia, (the capitals of the guarantor countries of the Rio de Janeiro Protocol) and Lima, Peter Romero, ambassador of the United States (another guarantor country) in Quito, seems to have made no real effort to be diplomatically and politically impartial over the Peruvian-Ecuadoran border conflict.

It seems Ambassador Romero does not want to participate in political meetings at which the border conflict is the prime matter of discussion.

The attitude of the U.S. ambassador in Quito leads us to believe the United States was interested in setting the course of diplomatic negotiations between Peru and Ecuador.

Nevertheless, following the meetings between Foreign Ministers Francisco Tudela and Galo Leoro, and once the agreements and disagreements between the two countries had been outlined face-to-face, there was speculation about the discarding of a package of diplomatic arrangements that White House special envoy Luigi Einaudi was supposedly to have submitted for consideration by Peru and Ecuador.

Peru: Minister on Talks With IMF, Paris Club

PY2703220396 Lima EL COMERCIO in Spanish 26 Mar 96 p E1

[Report by special correspondent Fernando Mac Kee Tueros from Buenos Aires]

[FBIS Translated Text] Economy and Finance Minister Jorge Camet has denied any postponement of negotiations with the IMF and said they will conclude in April. He said: "There will be a preliminary publication of the agreements."

He added that an attempt has been made to get the IMF to accept an expanded financial facilities agreement for three years. They only wanted it to be for one year, he said.

Camet added: "We asked for that amount of time because we have decided to follow a strict discipline and want an auditor of the caliber of the IMF for three years."

Asked about the famous letter from [IMF Managing Director Michel] Camdessus, Camet said he spoke to the IMF managing director and that they both had a good laugh about the importance granted to the letter which had leaked to the media.

Camet said: "Of course I am going to answer it because we are friends."

He said negotiations with the Paris Club will start on 20 June.

As for the 4 percent growth estimated for the Peruvian economy this year, Camet said the economy has its cycles: "At times certain improvements, corrections, whatever you wish to call them, must be made. The important thing is the concept, not the words."

He added: "In economy you can never assure a prediction will be fully attained, it is not a question of two plus two, it could be less or, hopefully, more."

He commented that exports have grown significantly. They rose by 22 percent in 1995 compared to 1994. During 1994 they rose by 30 percent compared to 1993. These are very large percentages. We mus, be patient. Some investments need to mature. Once they have done so exports will grow even more so.

He said: "I believe some investments should be made in the agricultural sector, which is essential because most of the people in the poverty zones belong to this sector. We need to approve property law regulations for the granting of land. By doing so we will get the private sector to start investing in agriculture."

Camet also said Peru is very interested in Mercosur, but this does not mean we will pull out of the Andean Pact. Mercosur "is a much larger market and we must approach it."

"We are not pulling out of the Andean area but Mercosur is a much larger and important market and one has to view this practically. One must take into account that we are going to join the world. If we join several blocs, all the better."

He also commented that excessive labor costs must handled carefully because it is not a matter of solving one problem and creating others.

He said capital inflow is the healthiest in the region. This has allowed the GDP growth of the past three years to amount to an average 8.5 percent.

Camet noted that foreign investors should understand they receive the same treatment as local investors under the Constitution.

He added that the main objective of the economic plan is to attain sustainable growth, consolidate the macroeconomic balance, and lower inflation.

He said future objectives are to reduce the balance of payments deficit, push up internal savings, speed up the privatization process, and consolidate and complete the reforms.

Peru: Government Seeks 3-Year Relief From Paris Club

PY2603035396 Lima EXPRESO in Spanish
20 Mar 96 p A22

[Article by Maria del Rosario Pajuelo]

[FBIS Translated Text] Although initially it was said that negotiations with the Paris Club would begin in April 1996, Economy and Finance Minister Jorge Camet remains firm in his position of postponing this important meeting with creditor countries until June. What remains in doubt is whether the negotiating team will dare to go to Paris only in November, as a local media source speculated this week.

If this is so, which Minister Camet did not confirm or deny, when the time for rescheduling of the debt signed with the Paris Club in 1983 falls due on 31 March 1996, Peru will find itself in some sort of a limbo in which, at least theoretically, it could be forced to increase, as of 1 April 1996, the servicing of the debt from $350 million to $1 billion, until negotiations begin.

In fact, according to figures released by the Foreign Debt Committee, if no refinancing is achieved, the debt pressure will rise to $1 billion within the next three years. The situation would be aggravated as of 1999 because disbursements will rise to $1.2 billion.

In the minutes signed during the latest renegotiation with the Pris Club, in May 1993, it was agreed that, if necessary, our country could renegotiate part of its debt existing to 31 March 1996, subject to the fulfillment of the commitments acquired in a previous agreement with the IMF.

By virtue of a "good will" clause that is included in the 1993 agreement, the government has the right this year to request of our creditors a new meeting to deal with the bilateral debt problem.

It is important to mention that only countries experiencing problems with the balance of payments — that is, with no chances of repaying their debt — resort to the Paris Club, and this is the case with Peru.

An Economy and Finance Ministry source said: "Talks have already been held with creditors, and the fact that Peru needs to return to the Paris Club has been conveyed to them. Pressure to pay $1 billion as of this year is beyond our capacity."

He said that at the meeting our negotiators will probably hold with representatives of the Paris Club this year, "relief for the next three years will be requested"; that is, the debt would be moved "forward." This means that in 1999, the government will again have to face the problem of the debt to the Paris Club and will have to call for a meeting to obtain, once again, temporary relief until, finally, we "graduate" from the Paris Club because we have become a "solvent" country, as Chile and other Latin American countries have become.

The importance of the Paris Club for Peru lies in the fact that, unlike other Latin American countries, Peru's debt to the Club represents 40 percent of the overall foreign debt. It is even more important than the debt to the creditor banks, which, according to intentions, is to be reduced with the Brady Plan and other international organizations.

Peru: PRC State Counselor Arrives on Official Visit

PY2803004396 Madrid EFE in Spanish
2155 GMT 27 Mar 96

[FBIS Translated Text] Lima, 27 Mar (EFE) — PRC State Counselor Luo Gan today began a three-day official visit to Peru to strengthen bilateral relations.

The PRC politician arrived in Lima on a commercial flight at the head of an entourage comprising 30 people, among them government officials and directors of major PRC business groups.

This afternoon Luo Gan will hold a working meeting with Minister of the Presidency Jaime Yoshiyama.

He will meet with President Alberto Fujimori at Government Palace tomorrow.

The agenda also includes meetings with Congress President Martha Chavez; Education Minister Dante Cordoba, who is also president of the Council of Ministers; and Foreign Minister Francisco Tudela.

The PRC will grant a donation to Peru through an agreement to be signed with Tudela.

Luo Gan will make a private visit to the Paracas Ecological Reserve, 280 km south of Lima. The largest

variety of Peruvian marine fauna can be found this reserve, where an undetermined number of species of birds also live, among them the Condor.

Peru: Fujimori's Loss in Popularity, Mayor's Gain Noted

PY2303032396 Lima EXPRESO in Spanish
19 Mar 95 p 2A

[Commentary by Manuel D'Ornellas entitled: "Fujimori Loses, Andrade Wins]

[FBIS Translated Text] Once again President Fujimori's popularity experienced a decline according to the monthly poll conducted by Apoyo Inc., in Lima. This time his popularity has dropped by two points, plus the nine points it dropped in February. On a whole his popularity has dropped by 11 points in 60 days. Consequently, 64 percent of the people approve of his administration which, undoubtedly, is not a figure to be scorned.

This decline is obviously related to the criticisms against Minister Camet during the past weeks. The approval of his policy dropped from 49 percent in February to 39 percent in March: A literally dizzying 10-percent drop.

But it must also be related to Fujimori's dislike, or simple indifference, for his new neighbor of the Main Square, Alberto Andrade Carmona. In this sense, it does not seem a mere casualty that while the president's popularity continues to drop that of Lima's mayor grows significantly: It grew by 9 percent from one month to the other and is now approximately 74 percent.

Some four weeks ago this column attributed the drop of Fujimori's popularity to: 1. the ban on the importation of second-hand vehicles; 2. the increase in the price of various foodstuffs and staples; 3. the weak support for the privatization of Petroperu [State Petroleum Agency]. Later on, a reader sent a letter adding a possible fourth reason: the unrest caused by the lack of support by the government, as a whole, for the brand new Lima mayor, which the people believe is due to the president's jealousy or resentment.

Thus, the curves that cross each other on the chart of the poll we just mentioned, in fact, suggest that there is some connection between the president's disdainful lack of interest in the Lima municipality problems now that his candidate lost, the increase of Andrade's popularity, and the drop of Fujimori's.

If Fujimori were the cold-blooded strategist that his enemies describe him as, it is quite obvious that he would have already embraced Andrade and started with him, after seeing that he obtained the necessary public funds, joint tasks, and projects. But he did not. Maybe because he is not a cold-blooded person but rather a man of flesh and bone whose electoral wounds hurt. This, undoubtedly, has its price as the Apoyo poll suggests.

Peru: Commentator Views Power Groups Within Government

PY2503152396 Lima EXPRESO in Spanish
17 Mar 96 p A6

[Article by Victor Andres Ponce]

[FBIS Translated Text] The outbreak of the ministerial crisis that ended with the ratification of Economy Minister Jorge Camet proves again the existence of power groups within the government. Who are the members of these groups? How do they differ? By examining past events, EXPRESO has sought to unveil the goals of these groups.

Groups within the government are apparently organized according to how close they are to President Fujimori. Sources agree that those closest to the president are Santiago Fujimori, his brother; Presidency Minister Jaime Yoshiyama; Agriculture Minister Absalon Vasquez; and Dante Cordova, president of the Council of Ministers and minister of education. Then, of course, comes Vladimiro Montesinos, in military and intelligence matters.

Ministers like Camet, Francisco Tudela (foreign affairs), and Manuel Vara Ochoa (transport and communications) are also close to the president, although their communication with the president is reduced to matters relating to their respective offices. These and other people naturally tend to be aligned in groups. There are three distinguishable groups, headed respectively by Santiago Fujimori, Jaime Yoshiyama, and Absalon Vasquez.

Dante Cordova and Labor Minister Sandro Fuentes are known to be working closely with the president's brother. No one denies that the "Santiagoist" group is increasing its presence due to the number of public offices they control. For the first time we have a prime minister who plays the role as such. Now his power has become more organized, Cordova has become a sort of "superminister" who heads both the Education Ministry as well as the reform of the state and privatization assisted by German Suarez at the presidency of the Central Reserve Bank, Adrian Revilla at the national superintendency of Tax Administration, Victor Caso Lay as comptroller general, and Carlos Cardenas heading the national superintendency of the Public Registry Office.

This group also has close relations with the congressional board, especially with Martha Chavez and Victor Joy Way.

Some believe that following the recent dispute between Cordova and Camet, the "Santiagoists" intend to assume the Economy Ministry. Of course, Camet's people hold Cordova responsible for the state reform and privatization as well as for an invasion of jurisdiction. On the other hand, both tasks have been paralyzed for a good period of time in the hands of the Economy Ministry.

Circles linked to Camet claim the entry into the Economy Ministry of the "Santiagoist" group would jeopardize the economic program. They state, for instance, that at the Council of Ministers they have proposed subsidies for companies that assemble products in Peru, a prohibition on the free flow of capital by limiting the foreign debts of private banks, the imposition of a legal reserve within banks on short-term capitals, a restriction on imports, and even a tax on trips abroad because Peruvians "earn so much."

The "Santiagoists" claim, however, that they defend a program that seeks to encourage the hiring of good experts. One source said: "Santiago is a head hunter. He wants to hire the best experts to handle the institutions. This is the case of German Suarez and Adrian Revilla, for instance."

Both groups claim there are deficiencies in handling sectorial policies, in promoting exports, and in the absence of reaction to phenomena such as the invasion of Chinese or Korean textiles. Neither group seems to fully perceive the seriousness of the problem of overcost which has removed the country from the export race.

There are those who say Camet some time ago was aligned with Jaime Yoshiyama. This is less clear now because Camet seeks his own "approach" toward the president. The minister is acting on his own, and has not joined any "group."

Yoshiyama, upon completing his congressional period — he was congressional president since 1992 — and his defeat in the Lima municipal elections, reportedly lost his political influence. The main role in the cabinet is played by Cordova. This factor is about 20 percent counterbalanced by the participation of the Ministry of the Presidency in the budget. There are reports of some friction between Cordova and Yoshiyama over certain decisions in the cabinet. For instance, the delay in promulgating the congressional decree on providing titles to urban properties would have something to do with opposed views on the constitutionality of some articles of the bill.

In the middle of the previous balanced position, Absalon Vasquez reportedly gained some ground and acquired a role in presidential decisions, notwithstanding the lack of clarity in the reform and his relationship with the APRA [American Popular Revolutionary Alliance] Party. There is confidence between him and President Fujimori, it is said, based on an old friendship. In fact, Vasquez obtains presidential support for bills that have little to do with economic reform, and more addressed to specific groups.

For instance, he prepared a bill on excessive tariff surtaxes, most of which are not justified. He also prepared the law on selling market stalls, which has frustrated the construction of the modern Santa Anita market and consolidated the chaotic state of things in the wholesale market. He was also involved with the law that orders the suspension of trials on the transfer of rural properties not expropriated under the agrarian reform. The most recent law promoted by the agriculture minister was the "privatization" of sugar cooperatives which condones 70 percent of the tax debt of these institutions.

Vasquez also has his own game in Congress: He influences about 20 congressmen of the majority, most of them who are unknown to the people. His main force is based on the presidents of the transitory councils of regions: To obtain control of the provinces.

Peru: Shining Path Said Attempting To Regroup

PY2303031396 Lima EXPRESO in Spanish 19 Mar 19 96 p A12

[FBIS Summary] The murder of Shining Path leader Pascuala Rosado in Huaycan, as well as other SL attacks, according to intelligence analysts "reveals that Oscar Ramirez Durand's, 'Feliciano,' followers are trying to reactivate their sinister organization."

The individuals who murdered Pascuala Rosado "are allegedly members of the dismantled 'People's Aid of Peru' allegedly under cover in Huarochiri under the name 'Lima Base.'" Analysts believe "they seek to frighten the inhabitants of shantytowns so that they will let them carry out a sort of political work."

People have reacted negatively to Rosado's murder with rallies of protest and announcements by the Huaycan leaders that they will reorganize their self-defense committees. Concerning a series of SL attacks, according to analysts, "they are trying to develop a psychological war, basically in the shantytowns and rural areas where there is a scarce police presence."

"In the region comprising Tarma-Chanchamayo and Pasco-Oxapampa, where the dismantled 'Central Regional Committee' had great influence, the Red Path is recruiting members," according to analysts. "Unemployment has forced many youths in Huancayo, Tarma,

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and Cerro de Pasco to join narco-terrorism, especially in Chanchamayo and other coca-growing zones where there is a tight relationship between drug traffickers, terrorists, and coca growers."

Other attacks have occurred in Pichari-Ayacucho, Huanta, and Huancavelica. Analysts maintain that "in those areas the terrorists seek to recover the hegemony they enjoyed until 1994, when the so-called 'Main Regional Committee' headed by Oscar Ramirez Durand operated." Analysts add that "there is evidence, that not far from there, in the Ene valley, they have a training camp" and that they may clash with Army patrols deployed to the area to eradicate the Maoist groups and drug traffickers from the jungle outskirts.

Terrorists have stopped buses on the Agua-Machinze-Ayacucho highway and interrogated the passengers. All of them were asked whether they belonged to the Armed Forces, obviously, according to the analysts, with the purpose of recruiting them, especially if they were artillery experts. A new series of attacks has also been perpetrated recently by the SL.

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